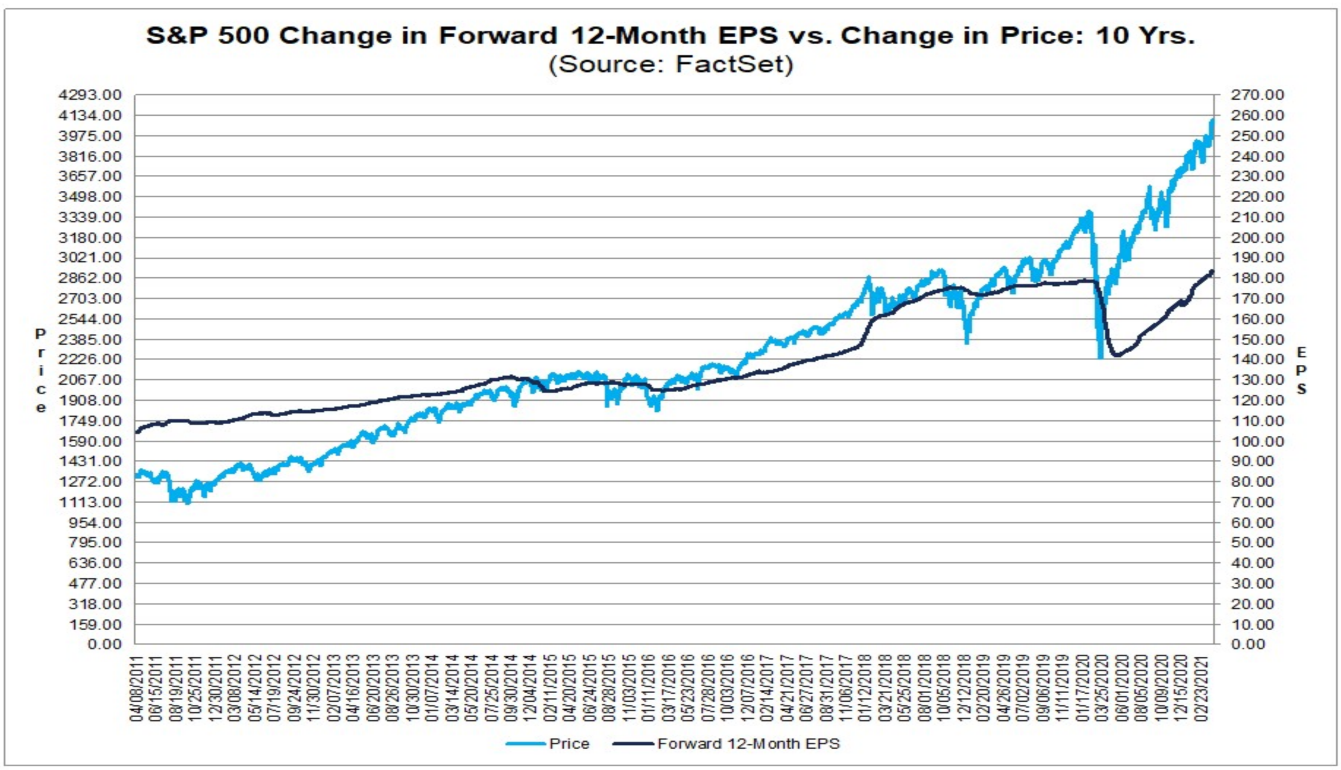
John Butters, Senior Earnings Analyst
jbutters@factset.com

Media Questions/Requests
media_request@factset.com

April 9, 2021

Key Metrics

- **Earnings Growth:** For Q1 2021, the estimated earnings growth rate for the S&P 500 is 24.5%. If 24.5% is the actual growth rate for the quarter, it will mark the highest year-over-year earnings growth rate reported by the index since Q3 2018 (26.1%).
- **Earnings Revisions:** On December 31, the estimated earnings growth rate for Q1 2021 was 15.8%. Eight sectors have higher earnings growth rates or smaller earnings declines today (compared to December 31) due to upward revisions to EPS estimates.
- **Earnings Guidance:** For Q1 2021, 35 S&P 500 companies have issued negative EPS guidance and 61 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 22.4. This P/E ratio is above the 5-year average (17.8) and above the 10-year average (15.9).
- **Earnings Scorecard:** For Q1 2021 (with 21 of the companies in the S&P 500 reporting actual results), 17 S&P 500 companies have reported a positive EPS surprise and 17 S&P 500 companies have reported a positive revenue surprise



To receive this report via e-mail or view other articles with FactSet content, please go to: https://insight.factset.com/

All data published in this report is available on FactSet. Please contact media_request@factset.com or 1-877-FACTSET for more information.

Topic of the Week: 1

S&P 500 Likely to Report Highest Earnings Growth in More Than 10 Years in Q1

As of today, the S&P 500 is expected to report (year over-year) earnings growth of 24.5% for the first quarter. Give that most S&P 500 companies report actual earnings above estimates, what is the likelihood the index will report actual growth in earnings of 24.5% for the quarter?

Based on the 5-year average improvement in earnings growth during each earnings season due to companies reporting positive earnings surprises, it is likely the index will report earnings growth of at least 28% for the first quarter, which would be the highest earnings growth reported by the S&P 500 in more than 10 years.

When companies in the S&P 500 report actual earnings above estimates during an earnings season, the overall earnings growth rate for the index increases because the higher actual EPS numbers replace the lower estimated EPS numbers in the calculation of the growth rate. For example, if a company is projected to report EPS of $1.05 compared to year ago EPS of $1.00, the company is projected to report earnings growth of 5%. If the company reports actual EPS of $1.10 (a $0.05 upside earnings surprise compared to the estimate), the actual earnings growth for the company for the quarter is now 10%, five percentage points above the estimated growth rate (10% - 5% = 5%).

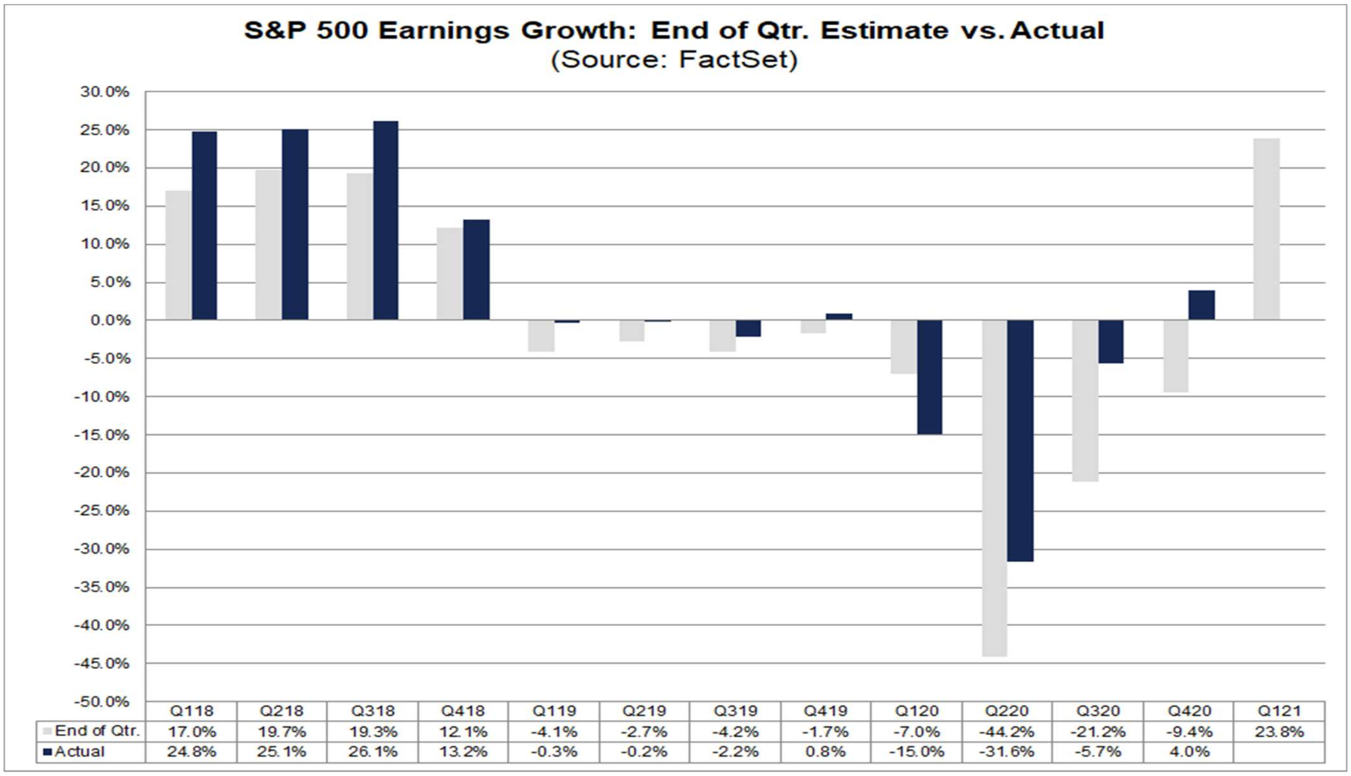
Over the past five years, actual earnings reported by S&P 500 companies have exceeded estimated earnings by 6.9% on average. During this same period, 74% of companies in the S&P 500 have reported actual EPS above the mean EPS estimate on average. As a result, from the end of the quarter through the end of the earnings season, the earnings growth rate has typically increased by 4.6 percentage points on average (over the past five years) due to the number and magnitude of positive earnings surprises.

If this average increase is applied to the estimated earnings growth rate at the end of Q1 (March 31) of 23.8%, the actual earnings growth rate for the quarter would be 28.4% (23.8% + 4.6% = 28.4%). If the S&P 500 reports year-over-year growth in earnings of 28.4% in Q1, it would mark the highest (year-over-year) earnings growth rate reported by the index since Q3 2010 (34.0%).

However, during the past three quarters (Q2 2020 through Q4 2020), actual earnings reported by S&P 500 companies have exceeded estimated earnings by 19.0% on average. During these three quarters, 82% of companies in the S&P 500 have reported actual EPS above the mean EPS estimate on average. As a result, from the end of the quarter through the end of the earnings season, the earnings growth rate has increased by 13.8 percentage points (on average) due to the number and magnitude of positive earnings surprises over these past three quarters.

If this average increase is applied to the estimated earnings growth rate at the end of Q1 (March 31) of 23.8%, the actual earnings growth rate for the quarter would be 37.6% (23.8% + 13.8% = 37.6%). If the S&P 500 reports year-over-year growth in earnings of 37.6% in Q1, it would mark the highest year-over-year earnings growth rate reported by the index since Q2 2010 (41.5%).

Of the 21 S&P 500 companies that have reported actual earnings for Q1 2021 to date, 81% have reported actual EPS above the mean EPS estimate. In aggregate, actual earnings reported by these 21 companies have exceeded estimated earnings by 9.8%. Thus, at this very early stage of the Q1 earnings season, the number of companies reporting positive earnings surprises is trending closer to the number of the previous three quarters, while the magnitude of the positive earnings surprises is trending closer to the 5-year average. Since March 31, the earnings growth rate for the S&P 500 has improved by 0.7 percentage points (to 24.5% from 23.8%).



	Q118	Q218	Q318	Q418	Q119	Q219	Q319	Q419	Q120	Q220	Q320	Q420	Q121
End of Qtr.	17.0%	19.7%	19.3%	12.1%	-4.1%	-2.7%	-4.2%	-1.7%	-7.0%	-44.2%	-21.2%	-9.4%	23.8%
Actual	24.8%	25.1%	26.1%	13.2%	-0.3%	-0.2%	-2.2%	0.8%	-15.0%	-31.6%	-5.7%	4.0%	

Topic of the Week: 2

After Record Close, Industry Analysts Still Predict S&P 500 Will See a 10% Price Increase

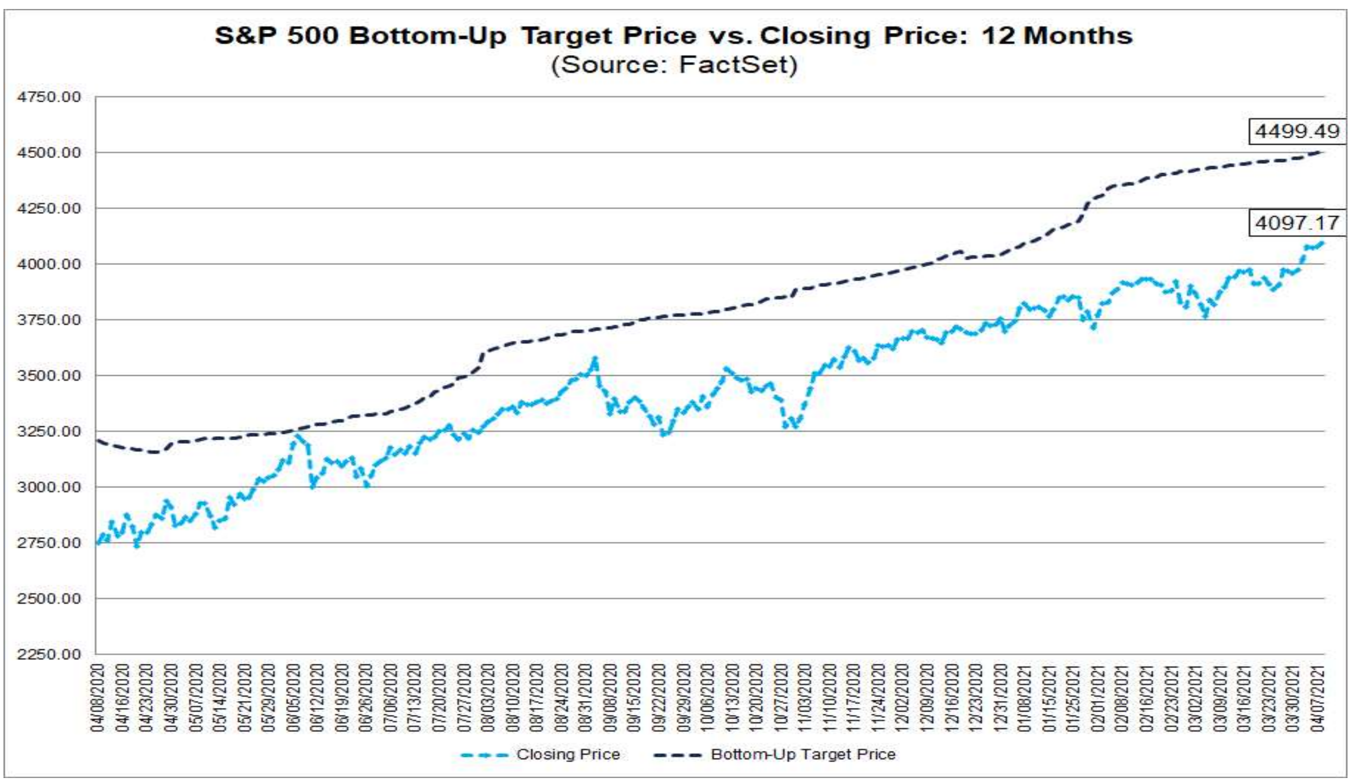
On April 8, the S&P 500 closed at a record-high value of 4097.17. Where do industry analysts believe the price of the index will go from here?

Industry analysts in aggregate predict the S&P 500 will see a price increase of 9.8% over the next twelve months. This percentage is based on the difference between the bottom-up target price and the closing price for the index as of yesterday (April 8). The bottom-up target price is calculated by aggregating the median target price estimates (based on company-level estimates submitted by industry analysts) for all the companies in the index. On April 8, the bottom-up target price for the S&P 500 was 4499.49, which was 9.8% above the closing price of 4097.17.

At the sector level, the Energy (+15.6%), Health Care (+14.2%), and Information Technology (+11.6%) sectors are expected to see the largest price increases, as these three sectors had the largest upside differences between the bottom-up target price and the closing price on April 8. These three sectors also currently have the highest percentages of Buy ratings. On the other hand, the Industrials (+3.9%) sector is expected to see the smallest price increase, as this sector had the smallest upside difference between the bottom-up target price and the closing price on April 8.

At the company level, the ten stocks in the S&P 500 with the largest upside and downside differences between their median target price and closing price (on April 8) can be found on the next page. It is interesting to note that the four of the ten S&P 500 stocks (and 8 of the 15 S&P 500 stocks) expected to see the largest price increases are in the Health Care sector.

How accurate have the industry analysts been in predicting the future value of the S&P 500? Industry analysts have overestimated the price of the index by 1.3% on average over the past 5 years (using month-end values), by 2.1% on average over the past 10 years (using month-end values), and by 9.1% on average over the past 15 years (using month-end values). It is interesting to note that on March 31, 2020, the bottom-up target price was 3339.64. One year later (on March 31, 2021), the S&P 500 closing price was 3972.89. Thus, industry analysts underestimated the closing price at the end of March 2021 by nearly 16% one-year ago.

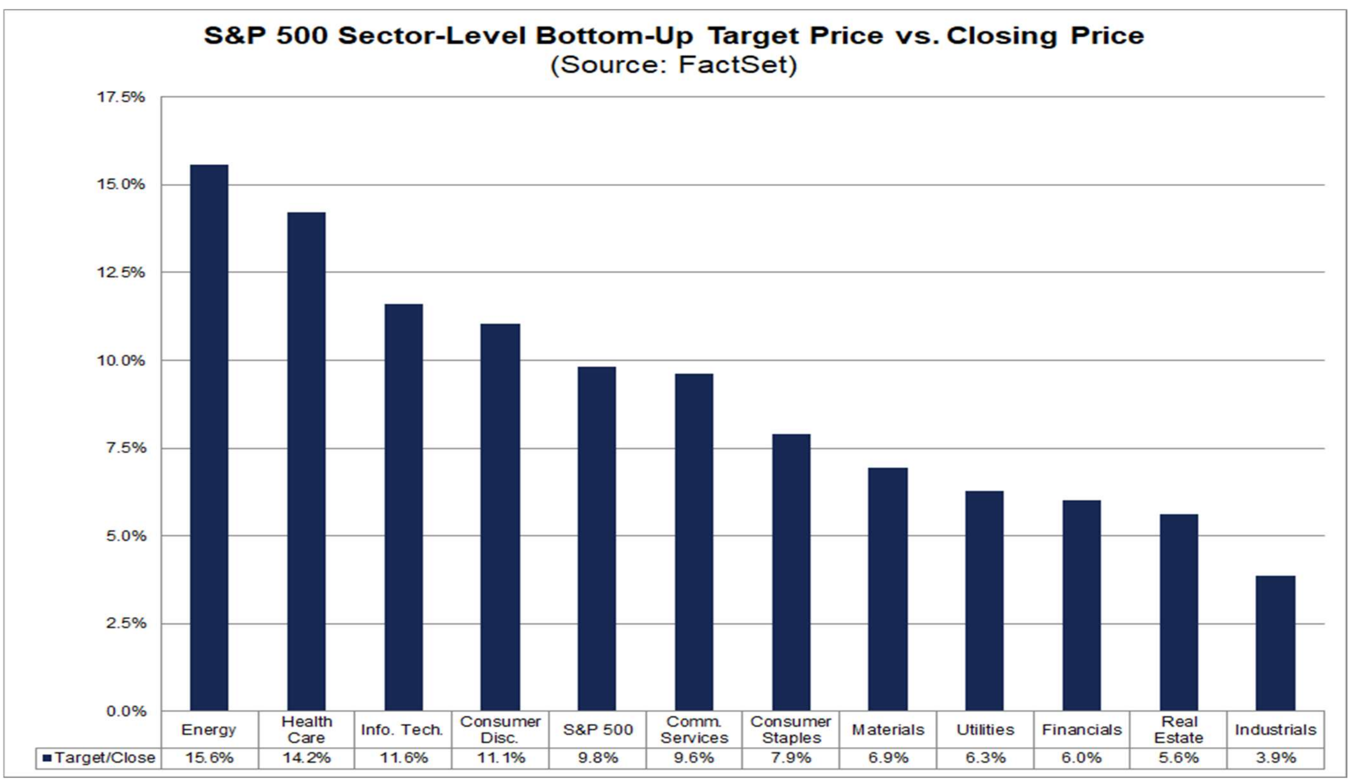


S&P 500: Difference Between Median Target Price & Closing Price: Top 10 (Source: FactSet)

Company	Target	Closing	Diff ($)	**Diff (%)**
Enphase Energy, Inc.	225.00	153.13	71.87	**46.9%**
APA Corp.	24.00	17.55	6.45	**36.8%**
Viatris, Inc.	18.00	13.29	4.71	**35.4%**
Vertex Pharmaceuticals Inc.	280.00	210.28	69.72	**33.2%**
Regeneron Pharmaceuticals, Inc.	629.00	476.36	152.64	**32.0%**
ViacomCBS Inc. Class B	55.00	42.29	12.71	**30.1%**
Devon Energy Corporation	29.00	22.34	6.66	**29.8%**
Centene Corporation	79.50	61.54	17.96	**29.2%**
Discovery, Inc. Class C	46.00	35.78	10.22	**28.6%**
Baker Hughes Company Class A	26.50	20.71	5.79	**28.0%**

S&P 500: Difference Between Median Target Price & Closing Price: Bottom 10 (Source: FactSet)

Company	Target	Closing	Diff ($)	**Diff (%)**
Lumen Technologies, Inc.	10.00	12.91	-2.91	**-22.5%**
American Airlines Group, Inc.	19.00	23.65	-4.65	**-19.7%**
Snap-on Incorporated	200.00	234.36	-34.36	**-14.7%**
Expeditors Intl. of Washington, Inc.	93.00	108.49	-15.49	**-14.3%**
Franklin Resources, Inc.	26.25	30.26	-4.01	**-13.3%**
Gap, Inc.	28.00	31.41	-3.41	**-10.9%**
Genuine Parts Company	104.00	115.72	-11.72	**-10.1%**
Wynn Resorts, Limited	120.00	133.49	-13.49	**-10.1%**
MGM Resorts International	38.00	42.14	-4.14	**-9.8%**
Vornado Realty Trust	41.00	45.39	-4.39	**-9.7%**



Q1 Earnings Season: By The Numbers

Overview

Analysts and companies have been much more optimistic than normal in their estimate revisions and earnings outlooks for the first quarter. As a result, expected earnings for the S&P 500 for the first quarter are higher today compared to the start of the quarter. The index is now expected to report the highest year-over-year growth in earnings since Q3 2018 for Q1. Analysts expect double-digit earnings growth for all four quarters of 2021. The above-average growth rates for the first quarter and for all four quarters of 2021 are due to a combination of higher earnings for 2021 and an easier comparison to weaker earnings in 2020 due to the negative impact of COVID-19 on numerous industries.

In terms of estimate revisions for companies in the S&P 500, analysts increased earnings estimates in aggregate for Q1 2021. On a per-share basis, estimated earnings for the first quarter increased by 6.5% from December 31 to March 31. In a typical quarter, analysts usually reduce earnings estimates during the quarter. Over the past five years (20 quarters), earnings estimates have fallen by 4.2% on average during a quarter. Over the past ten years, (40 quarters), earnings estimates have also fallen by 4.2% on average during a quarter. Over the past fifteen years, (60 quarters), earnings estimates have fallen by 5.1% on average during a quarter. In fact, the first quarter marked the largest increase in earnings on a per-share basis during a quarter since FactSet began tracking the quarterly bottom-up EPS estimate in Q2 2002.

More S&P 500 companies have issued positive EPS guidance for Q1 2021 than average as well. At this point in time, 96 companies in the index have issued EPS guidance for Q1 2021, Of these 96 companies, 35 have issued negative EPS guidance and 61 have issued positive EPS guidance. The percentage of companies issuing positive EPS guidance is 64% (61 out of 96), which is well above the 5-year average of 35%. If 61 is the final number for the quarter, it will mark the highest number of S&P 500 companies issuing positive EPS guidance for a quarter since FactSet began tracking this metric in 2006.

Because of the high number of companies issuing positive EPS guidance and the net upward revisions to earnings estimates, the estimated (year-over-year) earnings growth rate for Q1 2021 is higher now relative to the start of the first quarter. As of today, the S&P 500 is expected to report (year-over-year) earnings growth of 24.5%, compared to the estimated (year-over-year) earnings growth rate of 15.8% on December 31.

If 24.5% is the actual growth rate for the quarter, it will mark the largest year-over-year growth in earnings reported by the index since Q3 2018 (26.1%). The unusually high growth rate is due to a combination of rising earnings estimates for Q1 2021 and an easier comparison to weaker earnings in Q1 2020 due to the negative impact of COVID-19 on numerous industries. Nine sectors are projected to report year-over-year earnings growth, led by the Consumer Discretionary, Financials, and Materials sectors. On the other hand, two sectors are projected to report a year-over-year decline in earnings: Industrials and Energy.

Because of the high number of companies issuing positive revenue guidance and the net upward revisions to revenue estimates, the estimated (year-over-year) revenue growth rate for Q1 2021 is higher now relative to the start of the first quarter. As of today, the S&P 500 is expected to report (year-over-year) revenue growth of 6.4%, compared to the estimated (year-over-year) revenue growth rate of 3.9% on December 31.

If 6.4% is the actual growth rate for the quarter, it will mark the highest year-over-year revenue growth reported by the index since Q4 2018 (6.9%). Eight sectors are projected to report year-over-year growth in revenues, led by the Information Technology, Consumer Discretionary, and Communication Services sectors. Three sectors are projected to report a year-over-year decline in revenues, led by the Energy and Industrials sectors.

Looking at future quarters, analysts also project double-digit earnings growth for the remaining three quarters of 2021, with earnings growth peaking in Q2 2021 at 53.1%.

The forward 12-month P/E ratio is 22.4, which is above the 5-year average and above the 10-year average.

During the upcoming week, 23 S&P 500 companies (including four Dow 30 components) are scheduled to report results for the first quarter.

Earnings Revisions: Energy Sector Sees Largest Estimate Increases

Increase in Estimated Earnings Growth Rate for Q1 This Week Due to Financials Sector

During the past week, the estimated earnings growth rate for the S&P 500 for Q1 2021 increased to 24.5% from 24.0%. Upward revisions to EPS estimates for companies in the Financials sector were mainly responsible for the increase in the overall earnings growth rate for the index during the week. As a result, the estimated earnings growth rate for the Financials sector improved to 78.7% from 73.5% during this period.

Since the start of the quarter, the estimated earnings growth rate for the S&P 500 for Q1 2021 has increased to 24.5% today from 15.8% on December 31. Eight sectors have recorded an increase in their expected earnings growth rates or a decrease in their expected earnings declines due to upward revisions to earnings estimates, led by the Energy, Financials, Materials, and Information Technology sectors. Three sectors have recorded a decrease in their expected earnings growth rates or an increase in their expected earnings declines due to downward revisions to earnings estimates, led by the Industrials sector.

Energy: Exxon Mobil and Chevron Lead Earnings Increase Since December 31

The Energy sector has recorded the largest decrease in its expected earnings decline of all eleven sectors since the start of the quarter (to -15.3% from -61.0%). This sector also witnessed the largest increase in price (+29.3%) of all eleven sectors during the quarter. Rising oil prices contributed to the increase in earnings estimates for companies in this sector, as the price of oil increased by 22% (to $59.16 from $45.82) during the quarter. Overall, 18 of the 23 companies (78%) in the Energy sector have seen an increase in their mean EPS estimate since December 31. Of these 18 companies, 15 have recorded an increase in their mean EPS estimate of more than 10%, led by APA Corporation (to $0.25 from $0.01), ConocoPhillips (to $0.48 from $0.11), and EOG Resources (to $1.33 from $0.45). However, Exxon Mobil (to $0.56 from $0.25) and Chevron (to $0.91 from $0.52) have been the largest contributors to the increase in expected earnings for this sector since December 31.

Financials: JPMorgan Chase Leads Earnings Increase Since December 31

The Financials sector has recorded the second-largest increase in its expected earnings growth rate of all eleven sectors since the start of the quarter (to 78.7% from 49.8%). This sector also witnessed the second-largest increase in price (+15.4%) of all eleven sectors during the quarter. Rising interest rates likely contributed to the increase in earnings estimates for companies in this sector, as the yield on the 10-year Treasury note increased to 1.74% from 0.92% during the quarter. Overall, 47 of the 65 companies (72%) in the Financials sector have seen an increase in their mean EPS estimate since December 31. Of these 47 companies, 31 have recorded an increase in their mean EPS estimate of more than 10%, led by Charles Schwab (to $0.80 from $0.47), Goldman Sachs (to $10.20 from $6.36), SVB Financial Group (to $6.47 from $4.10), Citigroup (to $2.56 from $1.66), and Capital One Financial (to $3.91 from $2.55). However, JPMorgan Chase (to $3.07 from $2.36), Citigroup, Goldman Sachs, Bank of America (to $0.66 from $0.54), and Wells Fargo (to $0.69 from $0.49) have been the largest contributors to the increase in expected earnings for this sector since December 31.

Materials: 61% of Companies Have Seen Increase In Earnings Since December 31

The Materials sector has recorded the third-largest increase in its expected earnings growth rate of all eleven sectors since the start of the quarter (to 46.4% from 30.2%). This sector also witnessed the fourth-largest increase in price (+8.6%) of all eleven sectors during the quarter. Rising commodity prices likely contributed to the increase in earnings estimates for companies in this sector. For example, the value of the S&P GSCI Industrial Metals index increased by 9% (to 418.10 from 381.92) during the quarter. During this same period, the estimated earnings growth rate for the Metals & Mining industry has increased to 509% from 381%. Overall, 17 of the 28 companies (61%) in the Materials sector have seen an increase in their mean EPS estimate since December 31. Of these 17 companies, 10 have recorded an increase in their mean EPS estimate of more than 10%, led by Nucor (to $3.07 from $1.24), CF Industries Holdings (to $0.54 vs. $0.23), Mosaic Company (to $0.50 from $0.26), and Dow (to $1.05 from $0.64).

Information Technology: Apple and Microsoft Lead Earnings Increase since December 31

The Information Technology sector has recorded the fourth-largest increase in its expected earnings growth rate of all eleven sectors since the start of the quarter (to 22.4% from 11.6%). Despite the increase in earnings, this sector witnessed the second-smallest increase in price of all eleven sectors during the quarter at 1.7%. This sector also has the highest number of companies issuing positive EPS guidance for the quarter at 29. Overall, 56 of the 74 companies (76%) in the Information Technology sector have seen an increase in their mean EPS estimate since December 31. Of these 56 companies, 26 have recorded an increase in their mean EPS estimate of more than 10%, led by Micron Technology (to $0.98 from $0.66), HP (to $0.88 from $0.61), Zebra Technologies (to $4.39 vs. $3.17), and Skyworks Solutions (to $2.35 from $1.71). However, Apple (to $0.98 from $0.88), Microsoft (to $1.78 from $1.58), and Intel (to $1.14 from $0.93) have been the largest contributors to the increase in expected earnings for this sector since December 31.

Industrials: Airlines Industry Leads Earnings Decrease since December 31

The Industrials sector has recorded the largest increase in its expected earnings decline of all eleven sectors since the start of the quarter (to -16.6% from -3.9%). Despite the decrease in earnings, this sector witnessed the third-largest increase in price (+11.0%) of all eleven sectors during the quarter. Overall, 30 of the 74 companies (41%) in the Industrials sector have seen a decrease in their mean EPS estimate since December 31. Of these 30 companies, 9 have recorded a decrease in their mean EPS estimate of more than 10%, led by Southwest Airlines (to -$1.88 from -$0.81) and Boeing (to -$0.98 from -$0.43). However, Delta Air Lines (to -$2.90 from -$1.60), American Airlines Group (to -$3.89 from -$2.72), United Airlines Holdings (to -$6.82 from -$4.63), and Southwest Airlines have been the largest contributors to the decrease in expected earnings for this sector since December 31.

Index-Level (Bottom-Up) EPS Estimate: Record-High 6.5% Increase During Q1

The Q1 bottom-up EPS estimate (which is an aggregation of the median earnings estimates for all 500 companies in the index and can be used as a proxy for the earnings of the index) increased by 6.5% (to $40.04 from $37.61) from December 31 to March 31. In a typical quarter, analysts usually reduce earnings estimates. Over the past five years (20 quarters), earnings expectations have fallen by 4.2% on average during a quarter. Over the past ten years, (40 quarters), earnings expectations have also fallen by 4.2% on average during a quarter. Over the past fifteen years (60 quarters), earnings expectations have fallen by 5.1% on average during a quarter. In fact, the first quarter marked the largest increase in the bottom-up EPS estimate during a quarter since FactSet began tracking the quarterly bottom-up EPS estimate in Q2 2002.

Guidance: Record-High Number of S&P 500 Companies Issuing Positive EPS Guidance for Q1

At this point in time, 96 companies in the index have issued EPS guidance for Q1 2021. Of these 96 companies, 35 have issued negative EPS guidance and 61 have issued positive EPS guidance. The percentage of companies issuing positive EPS guidance is 64% (61 out of 96), which is well above the 5-year average of 35%. If 61 is the final number for the quarter, it will mark the highest number of S&P 500 companies issuing positive EPS guidance for a quarter since FactSet began tracking this metric in 2006. At the sector level, the Information Technology has the highest number of companies issuing positive EPS guidance for Q1 at 29. If 29 is the final number for the quarter, it will tie the mark with the previous quarter for the highest number of S&P 500 companies issuing positive EPS guidance for a quarter in this sector since FactSet began tracking this metric in 2006.

The term “guidance” (or “preannouncement”) is defined as a projection or estimate for EPS provided by a company in advance of the company reporting actual results. Guidance is classified as negative if the estimate (or mid-point of a range estimates) provided by a company is lower than the mean EPS estimate the day before the guidance was issued. Guidance is classified as positive if the estimate (or mid-point of a range of estimates) provided by the company is higher than the mean EPS estimate the day before the guidance was issued.

Earnings Growth: 24.5%

The estimated (year-over-year) earnings growth rate for Q1 2021 is 24.5%, which is well above the 5-year average earnings growth rate of 3.8%. If 24.5% is the actual growth rate for the quarter, it will mark the highest year-over-year earnings growth reported by the index since Q3 2018 (26.1%). Nine sectors are projected to report year-over-year earnings growth, led by the Consumer Discretionary, Financials, and Materials sectors. On the other hand, two sectors are projected to report a year-over-year decline in earnings: Industrials and Energy.

Consumer Discretionary: 6 of 10 Industries Expected to Report to Year-Over-Year Growth Above 50%

The Consumer Discretionary sector is expected to report the highest (year-over-year) earnings growth of all eleven sectors at 103.2%. At the industry level, nine of the ten industries in this sector are expected to report double-digit earnings growth: Automobiles (1,116%), Textiles, Apparel, & Luxury Goods (484%), Specialty Retail (236%), Internet & Direct Marketing Retail (80%), Household Durables (73%), Multiline Retail (55%), Auto Components (32%), Distributors (20%), and Leisure Products (17%). The Specialty Retail industry is also projected to be the largest contributor to growth for the sector. If this industry were excluded, the estimated earnings growth rate for the Consumer Discretionary sector would fall to 65.6% from 103.2%. On the other hand, the Hotels, Restaurants, & Leisure industry (-651%) is the only industry in this sector that is projected to report a year-over-year decline in earnings and is expected to be the largest detractor to earnings growth. If this industry were excluded, the estimated earnings growth rate for the Consumer Discretionary sector would rise to 141.9% from 103.2%.

Financials: Banks Industry Expected To Be Largest Contributor to Year-Over-Year Growth

The Financials sector is expected to report the second-highest (year-over-year) earnings growth of all eleven sectors at 78.7%. At the industry level, all five industries in this sector are predicted to report year-over-year growth in earnings: Consumer Finance (N/A due to year-ago loss), Banks (156%), Capital Markets (44%), Insurance (6%), and Diversified Financial Services (2%). The Banks industry is also projected to be the largest contributor to growth for the sector. If this industry were excluded, the estimated earnings growth rate for the Financials sector would fall to 43.1% from 78.7%.

Materials: Metals & Mining Industry Expected To Be Largest Contributor to Year-Over-Year Growth

The Materials sector is expected to report the third-highest (year-over-year) earnings growth of all eleven sectors at 46.4%. At the industry level, all four industries in this sector are predicted to report year-over-year growth: Metals & Mining (501%), Chemicals (22%), Containers & Packaging (13%), and Construction Materials (5%). The Metals & Mining industry is also predicted to be the largest contributor to year-over-year growth in earnings for the sector. If this industry were excluded, the estimated earnings growth rate for the Materials sector would fall to 20.4% from 46.4%.

Industrials: Airlines Industry Expected to Be Largest Contributor To Year-Over-Year Decline

The Industrials sector is expected to report the largest (year-over-year) earnings decline of all eleven sectors at -16.6%. At the industry level, four of the twelve industries in this sector are projected to report a decline in earnings, led by the Airlines (N/A due to year-ago loss) industry. On the other hand, eight industries are projected to report (year-over-year) earnings growth, led by the Air Freight & Logistics (80%), Construction & Engineering (53%), and Machinery (30%) industries. The Airlines industry is also projected to be the largest contributor to the year-over-year decline in earnings for the sector. If this industry were excluded, year-over-year earnings for the Industrials sector would improve to 9.4% from -16.6%.

Energy: 3 of 5 Sub-Industries Expected to Report Year-Over-Year Decline of More Than 10%

The Energy sector is expected to report the second-largest (year-over-year) decline in earnings of all eleven sectors at -15.3%. Despite the projected decline in earnings, the average price of oil in Q1 2021 ($58.14) was 7% above the average price for oil in Q1 2020 ($54.21). At the sub-industry level, three of the five sub-industries in the sector are predicted to report a decline in earnings of more than 10%: Oil & Gas Refining & Marketing (-337%), Oil & Gas Equipment & Services (-45%), and Integrated Oil & Gas (-11%). On the other hand, two sub-industries are projected to report earnings growth: Oil & Gas Exploration & Production (155%) and Oil & Gas Storage & Transportation (2%).

Revenue Growth: 6.4%

The estimated (year-over-year) revenue growth rate for Q1 2021 is 6.4%, which is above the 5-year average revenue growth rate of 3.5%. If 6.4% is the actual growth rate for the quarter, it will mark the highest year-over-year revenue growth reported by the index since Q4 2018 (6.9%). Eight sectors are projected to report year-over-year growth in revenues, led by the Information Technology, Consumer Discretionary, and Communication Services sectors. Three sectors are projected to report a year-over-year decline in revenues, led by the Energy and Industrials sectors.

Information Technology: 4 of 6 Industries Expected To Report Year-Over-Year Growth Above 10%

The Information Technology sector is expected to report the highest (year-over-year) revenue growth of all eleven sectors at 15.5%. At the industry level, all six industries in this sector are projected to report year-over-year growth in revenues. Four of these six industries are predicted to report growth above 10%: Technology Hardware, Storage, & Peripherals (25%), Semiconductors & Semiconductor Equipment (20%), Software (17%), and Electronic Equipment, Instruments, & Components (14%).

Consumer Discretionary: 6 of 10 Industries Expected to Report Year-Over-Year Growth At Or Above 10%

The Consumer Discretionary sector is expected to report the second-highest (year-over-year) revenue growth of all eleven sectors at 15.0%. At the industry level, eight of the ten industries in this sector are predicted to report growth in revenues. Six of these eight industries are projected to report double-digit growth: Internet & Direct Marketing Retail (38%), Auto Components (33%), Specialty Retail (25%), Household Durables (20%), Textiles, Apparel, & Luxury Goods (10%), and Automobiles (10%). On the other hand, two industries are projected to report a year-over-year decline in revenues, led by the Hotels, Restaurants, & Leisure (-29%) industry.

Communication Services: Alphabet & T-Mobile Expected to Lead Year-Over-Year Growth

The Communication Services sector is expected to report the third-highest (year-over-year) revenue growth of all eleven sectors at 12.0%. At the industry level, four of the five industries in this sector are predicted to report year-over-year growth in revenues. Two of these four industries are projected to report double-digit growth: Wireless Communication Services (69%) and Interactive Media & Services (26%). On the other hand, the only industry that is projected to report a decline in revenue is the Entertainment (-5%) industry.

At the company level, Alphabet and T-Mobile are projected to be the largest contributors to revenue growth for the sector. If these two companies were excluded, the estimated revenue growth rate for the sector would drop to 3.7% from 12.0%.

Energy: 2 of 5 Sub-Industries Expected to Report Year-Over-Year Decline of More Than 15%

The Energy sector is expected to report the largest (year-over-year) decline in revenue of all eleven sectors at -6.3%. Despite the projected decline in revenue, the average price of oil in Q1 2021 ($58.14) was 7% above the average price for oil in Q1 2020 ($54.21). At the sub-industry level, three of the five sub-industries in the sector are predicted to report a year-over-year decline in revenue: Oil & Gas Equipment & Services (-27%), Oil & Gas Refining & Marketing (-18%), and Integrated Oil & Gas (-2%). On the other hand, two sub-industries are projected to report year-over-year growth in revenues: Oil & Gas Exploration & Production (39%) and Oil & Gas Storage & Transportation (5%).

Industrials: Airlines Industry Expected to Be Largest Contributor To Year-Over-Year Decline

The Industrials sector is expected to report the second-largest (year-over-year) decline in revenue of all eleven sectors at -3.3%. At the industry level, six of the twelve industries in this sector are projected to report a decline in revenue, led by the Airlines (-54%) industry. On the other hand, six industries are projected to report (year-over-year) revenue growth, led by the Air Freight & Logistics (19%) industry. The Airlines industry is also projected to be the largest contributor to the year-over-year decline in revenue for the sector. If this industry were excluded, year-over-year revenues for the Industrials sector would improve to 2.1% from -3.3%.

Net Profit Margin: 10.9%

The estimated net profit margin for the S&P 500 for Q1 2021 is 10.9%, which is above the 5-year average of 10.5% and above the year-ago net profit margin of 9.4%. However, it is slightly below the net profit margin of the previous quarter of 11.0%.

At the sector level, six sectors are projected to report net profit margins that are above their 5-year averages, led by the Financials (17.6% vs. 14.9%) and Utilities (15.0% vs. 12.5%) sectors. Seven sectors are projected to report a year-over-year increase in their net profit margins in Q1 2021 compared to Q1 2020, led by the Financials (17.6% vs. 10.2%), and Materials (10.7% vs. 8.0%) sectors.

Looking Ahead: Forward Estimates and Valuation

Earnings: S&P 500 Reported Earnings Decline of -11% for CY 2020

For the fourth quarter, S&P 500 companies reported growth in earnings of 3.9% and growth in revenue of 3.2%. For all of 2020, S&P 500 companies reported a decline in earnings of -11.2% and a decline in revenue of -0.8%.

For Q1 2021, analysts are projecting earnings growth of 24.5% and revenue growth of 6.4%.

For Q2 2021, analysts are projecting earnings growth of 53.1% and revenue growth of 16.7%.

For Q3 2021, analysts are projecting earnings growth of 19.2% and revenue growth of 10.1%.

For Q4 2021, analysts are projecting earnings growth of 14.8% and revenue growth of 7.5%.

For CY 2021, analysts are projecting earnings growth of 26.3% and revenue growth of 9.7%.

Valuation: Forward P/E Ratio is 22.4, Above the 10-Year Average (15.9)

The forward 12-month P/E ratio is 22.4. This P/E ratio is above the 5-year average of 17.8 and above the 10-year average of 15.9. However, it is slightly below the forward 12-month P/E ratio of 22.5 recorded at the end of the fourth quarter (December 31). Since the end of the fourth quarter (December 31), the price of the index has increased by 9.1%, while the forward 12-month EPS estimate has increased by 9.8%.

At the sector level, the Consumer Discretionary (37.0) sector has the highest forward 12-month P/E ratio, while the Financials (15.0) and Health Care (16.2) sectors have the lowest forward 12-month P/E ratios.

Targets & Ratings: Analysts Project 10% Increase in Price Over Next 12 Months

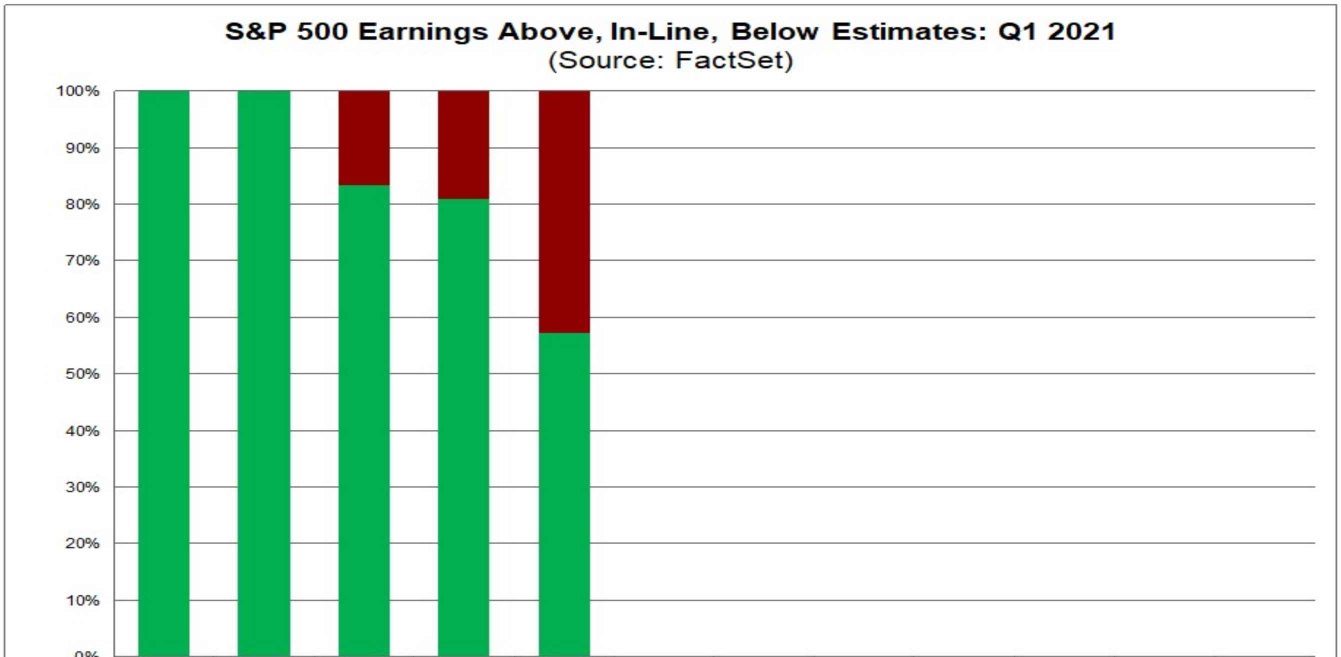
The bottom-up target price for the S&P 500 is 4499.49, which is 9.8% above the closing price of 4097.17. At the sector level, the Energy (+15.6%) sector is expected to see the largest price increase, as this sector has the largest upside difference between the bottom-up target price and the closing price. On the other hand, the Industrials (+3.9%) sector is expected to see the smallest price increase, as this sector has the smallest upside difference between the bottom-up target price and the closing price.

Overall, there are 10,392 ratings on stocks in the S&P 500. Of these 10,392 ratings, 55.8% are Buy ratings, 37.3% are Hold ratings, and 6.9% are Sell ratings. At the sector level, the Information Technology (62%), Health Care (62%), and Energy (61%) sectors have the highest percentages of Buy ratings, while the Consumer Staples (45%) sector has the lowest percentage of Buy ratings.

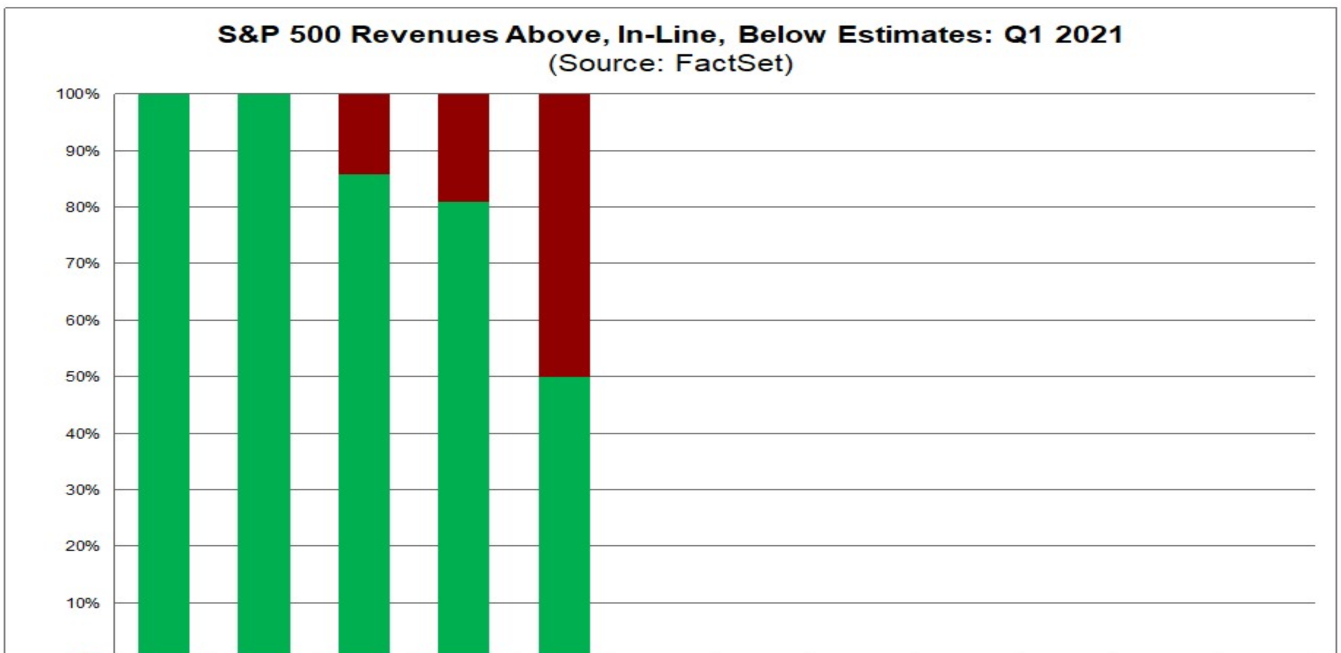
Companies Reporting Next Week: 23

During the upcoming week, 23 S&P 500 companies (including four Dow 30 components) are scheduled to report results for the first quarter.

Q1 2021: Scorecard

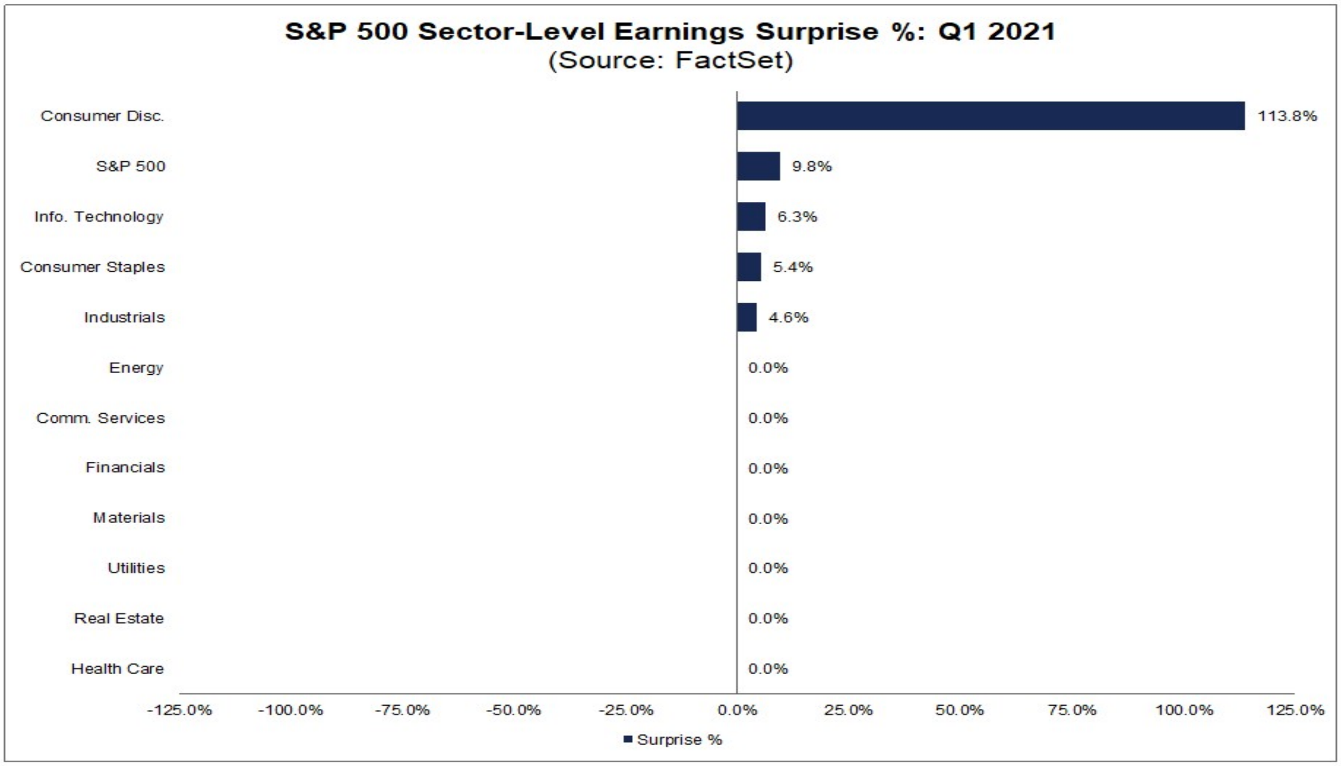


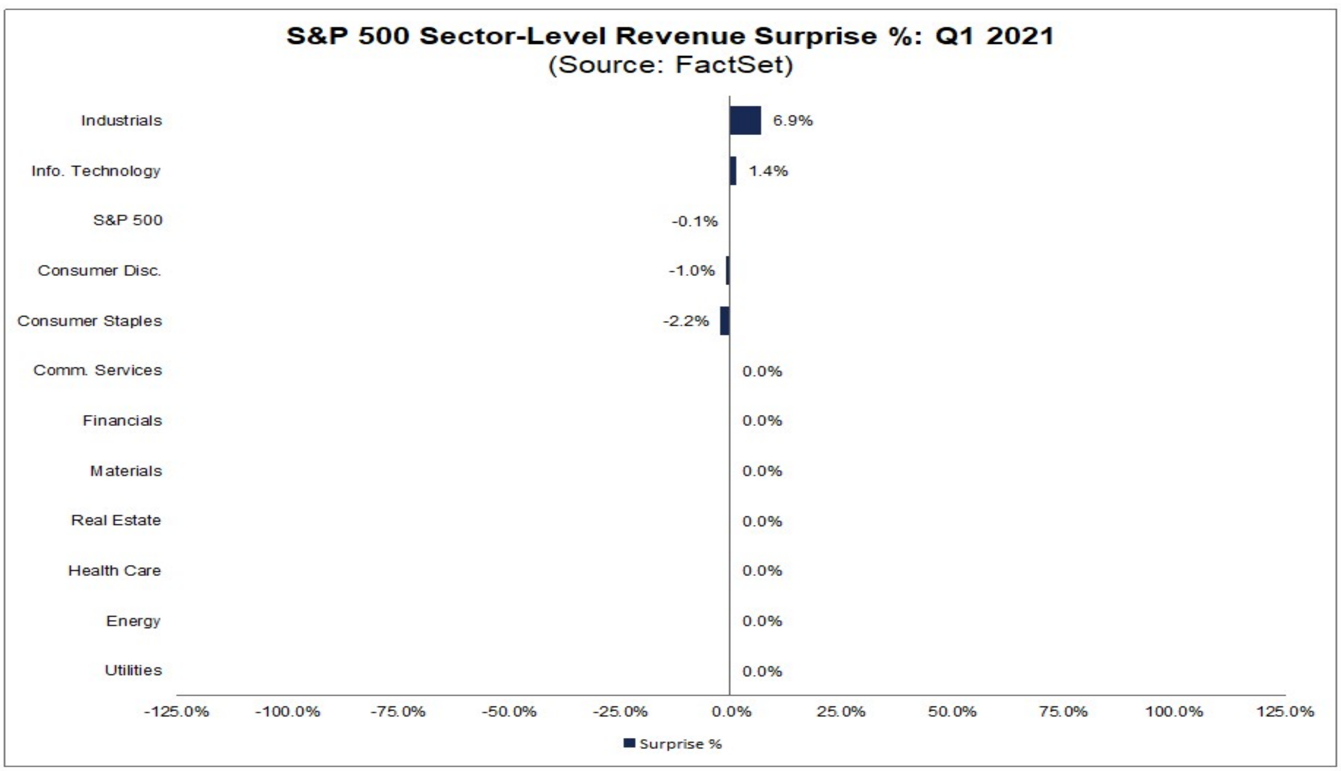
	Info. Technology	Industrials	Consumer Disc.	S&P 500	Consumer Staples	Comm. Services	Health Care	Financials	Materials	Utilities	Real Estate	Energy
Below	0%	0%	17%	19%	43%	0%	0%	0%	0%	0%	0%	0%
In-Line	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Above	100%	100%	83%	81%	57%	0%	0%	0%	0%	0%	0%	0%



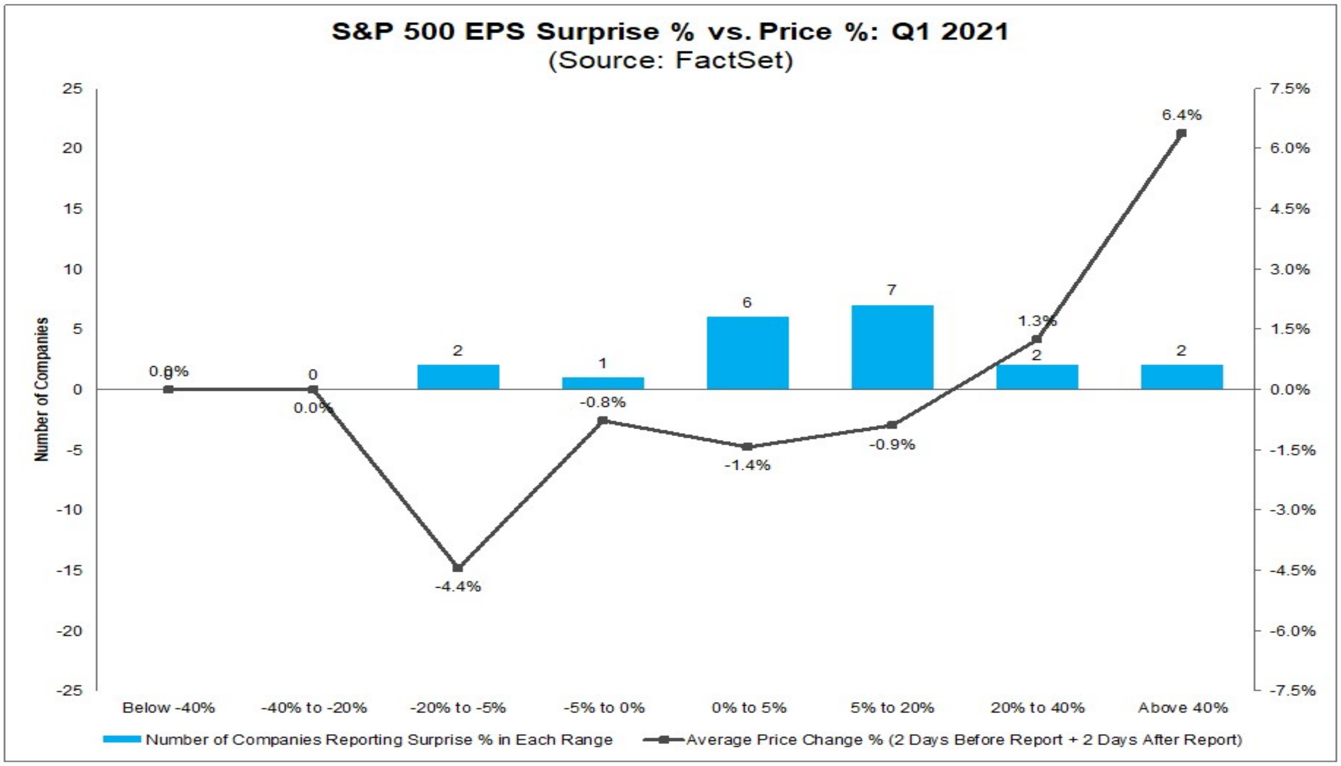
	Info. Technology	Industrials	Consumer Staples	S&P 500	Consumer Disc.	Comm. Services	Health Care	Materials	Financials	Real Estate	Energy	Utilities
Below	0%	0%	14%	19%	50%	0%	0%	0%	0%	0%	0%	0%
In-Line	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Above	100%	100%	86%	81%	50%	0%	0%	0%	0%	0%	0%	0%

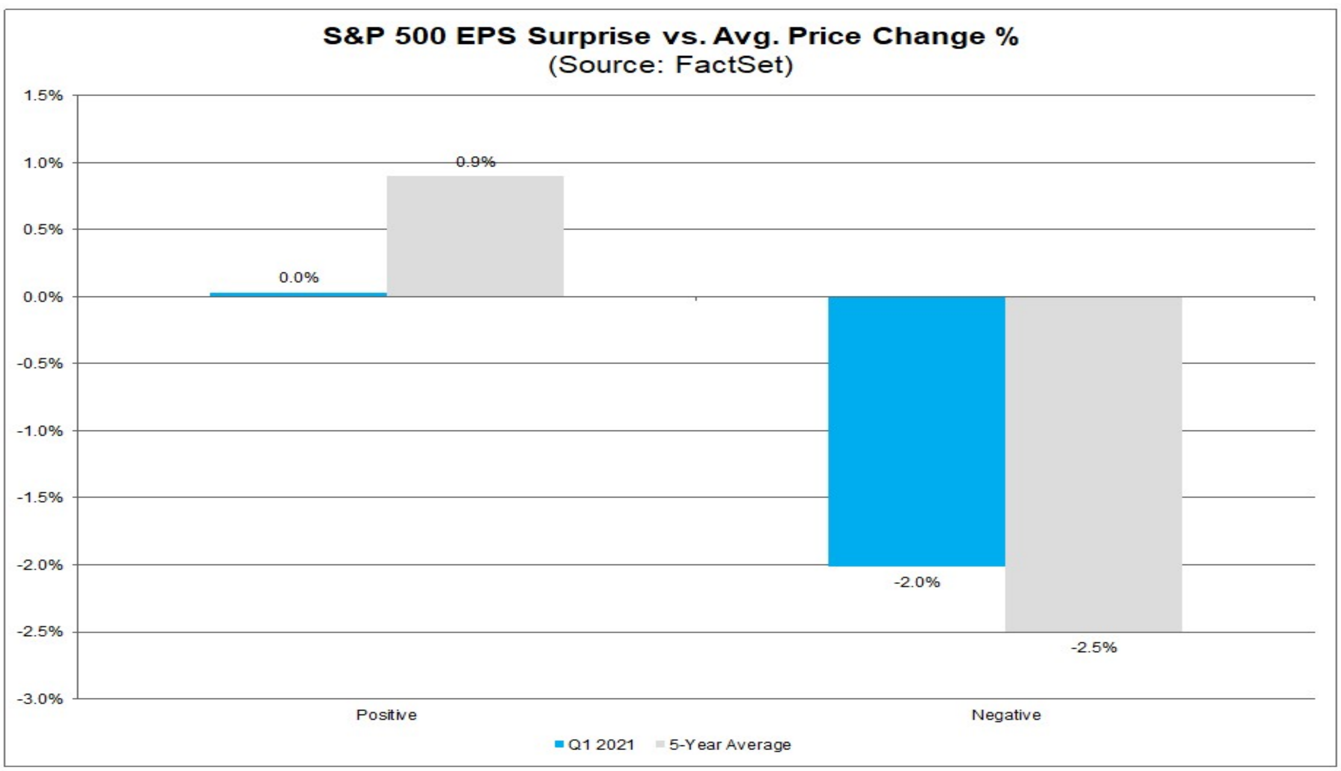
Q1 2021: Scorecard



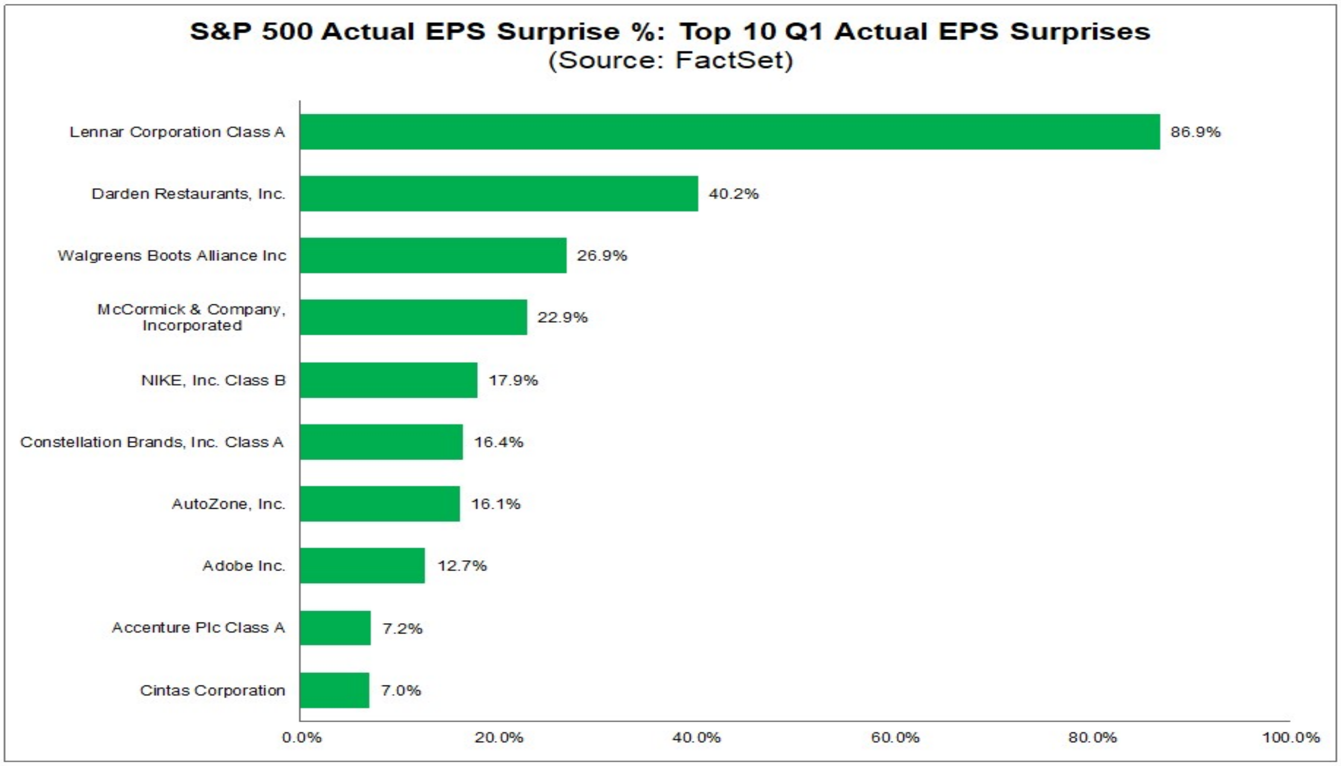


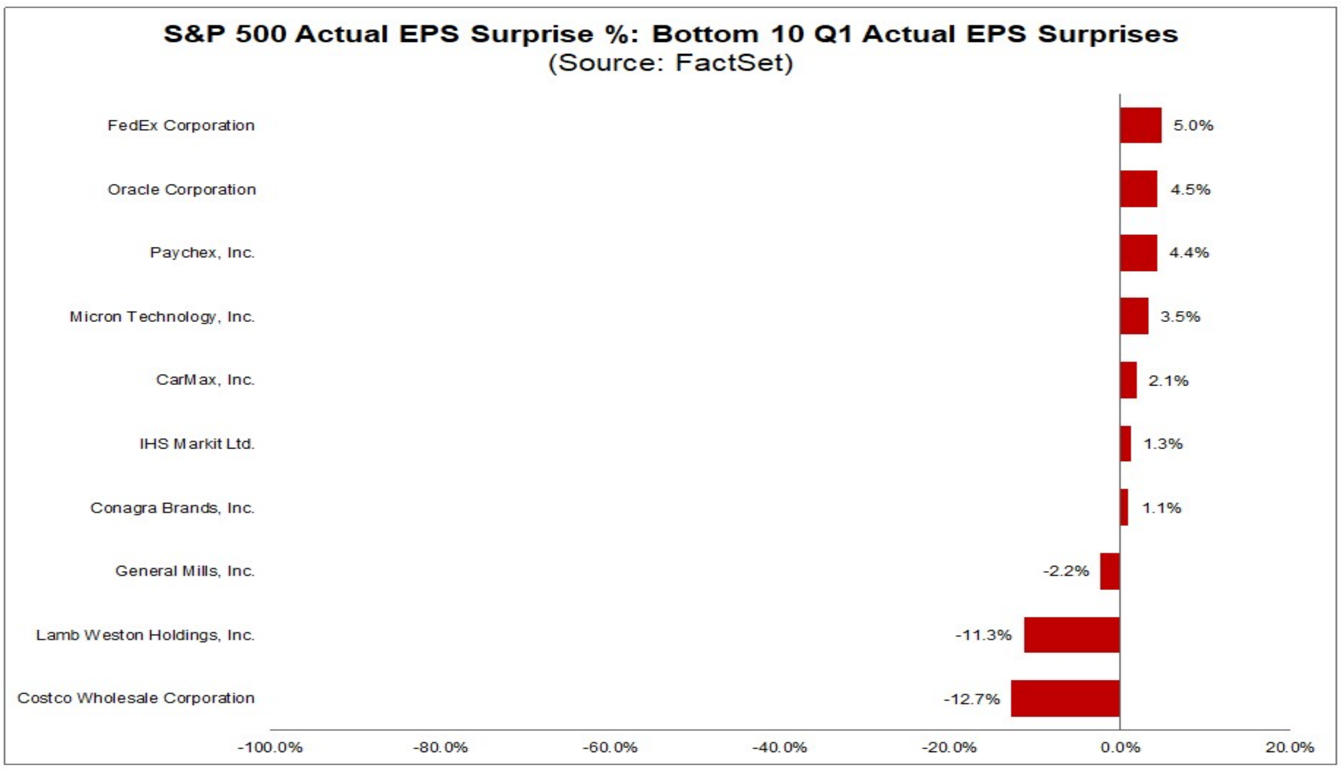
Q1 2021: Scorecard



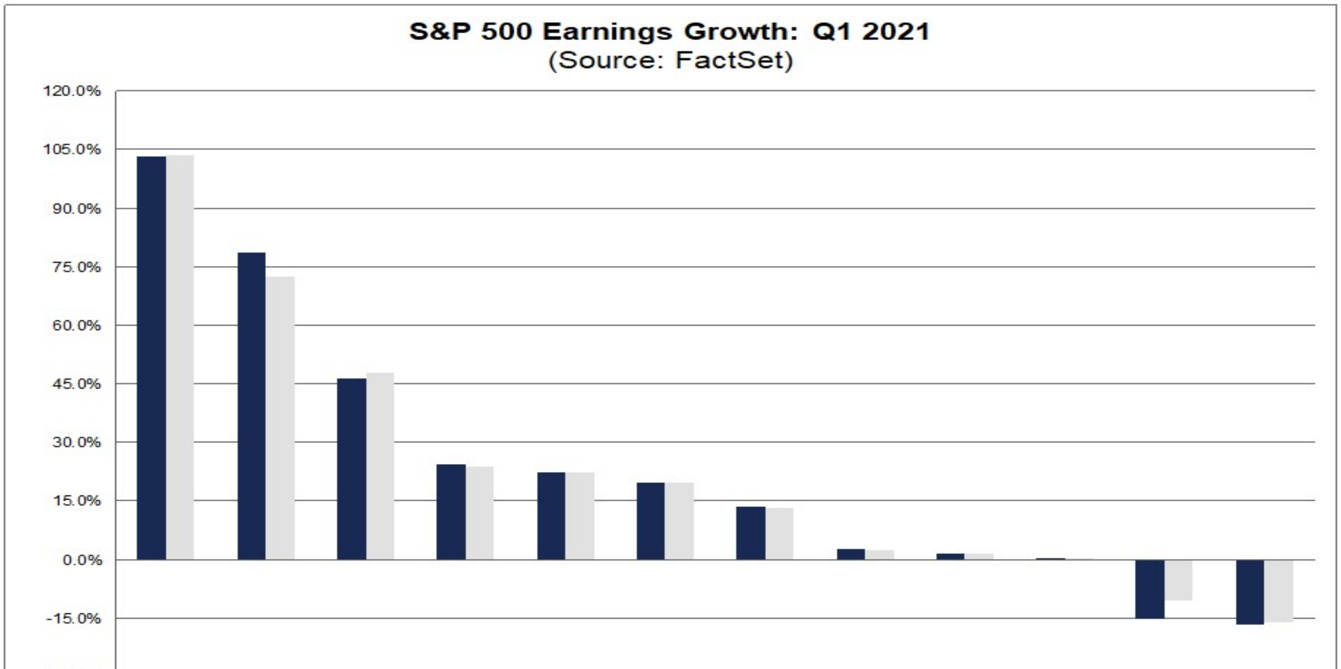


Q1 2021: Scorecard

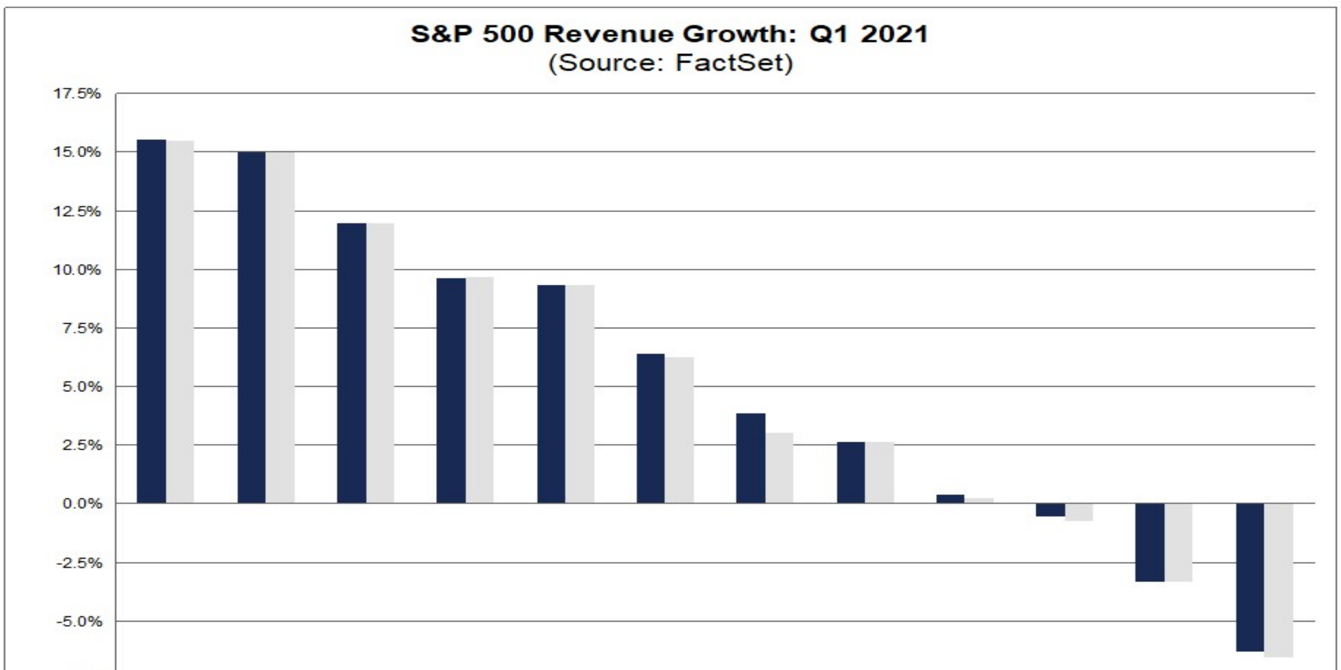




Q1 2021: Growth

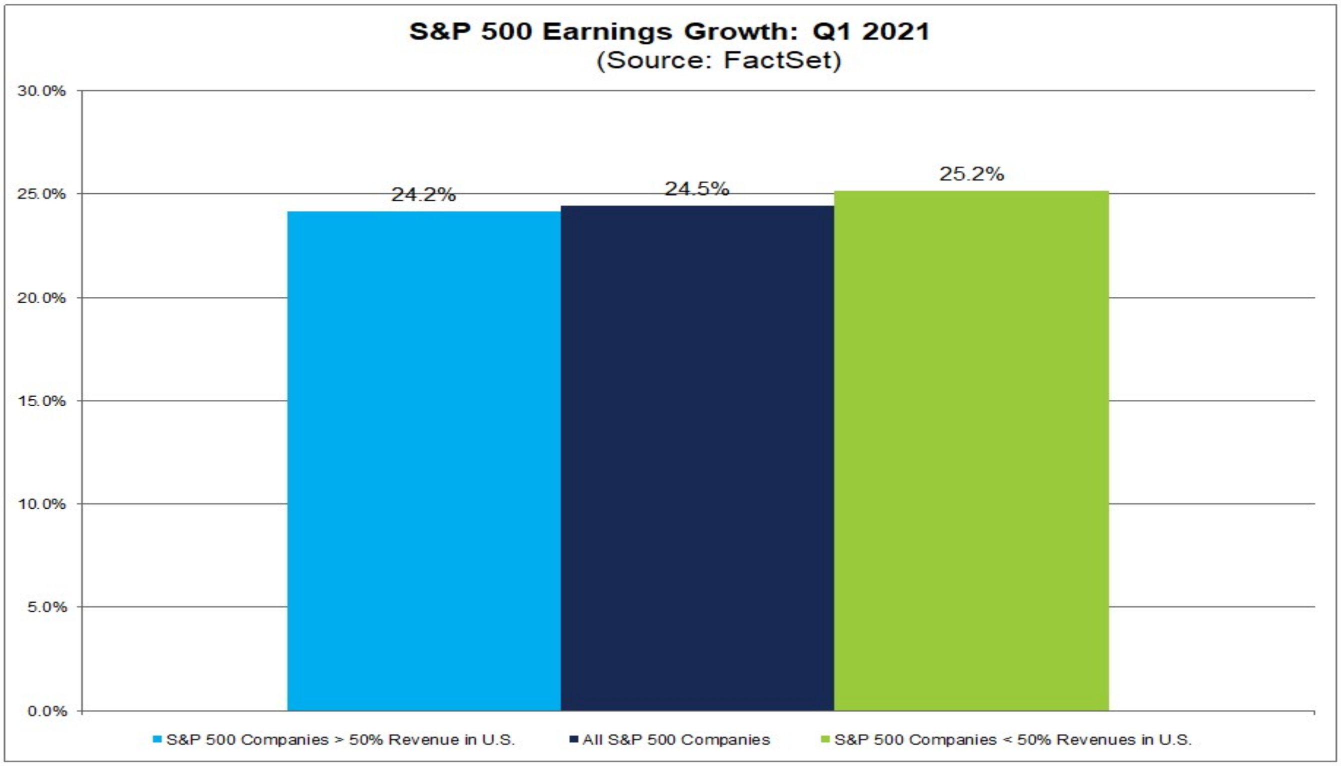


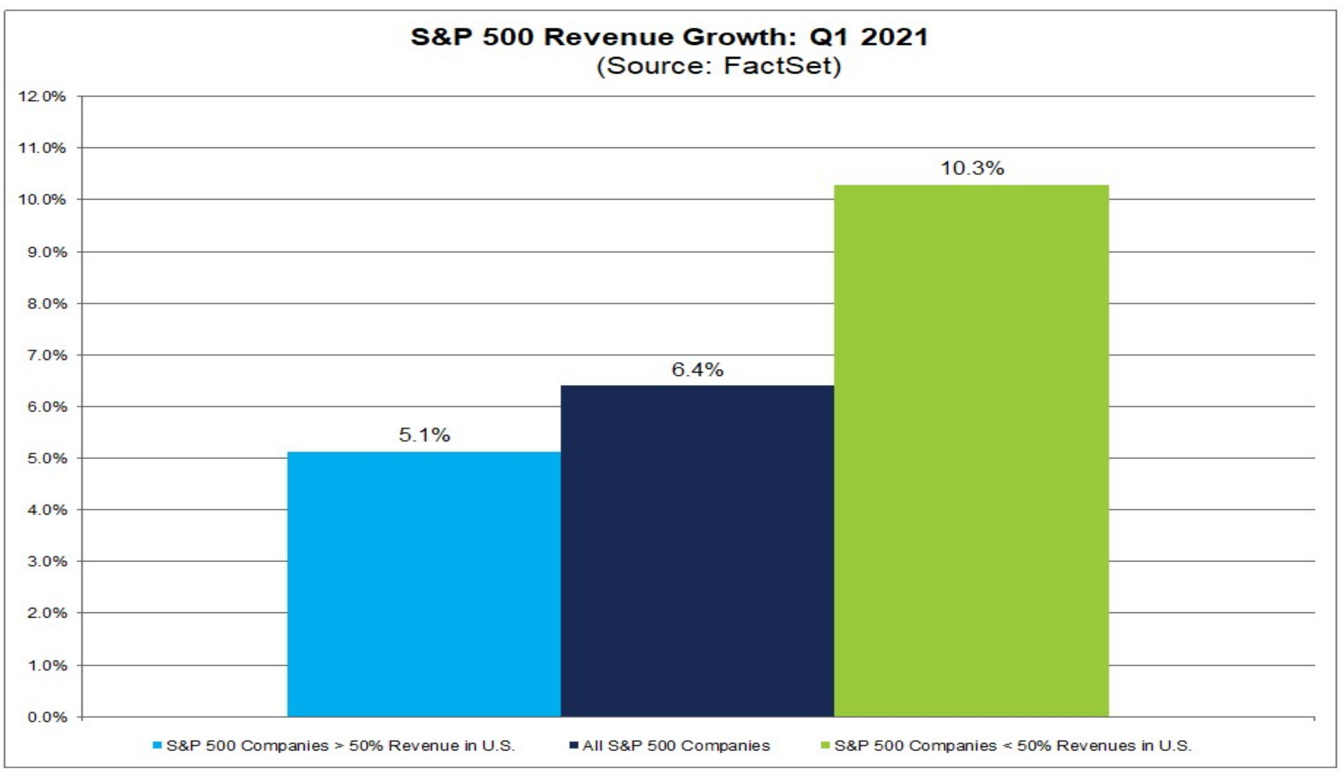
	Consumer Disc.	Financials	Materials	S&P 500	Info. Technology	Health Care	Comm. Services	Utilities	Real Estate	Consumer Staples	Energy	Industrials
Today	103.2%	78.7%	46.4%	24.5%	22.4%	19.7%	13.5%	2.5%	1.6%	0.4%	-15.3%	-16.6%
31-Mar	103.4%	72.5%	47.7%	23.8%	22.3%	19.8%	13.4%	2.5%	1.5%	0.2%	-10.4%	-16.2%



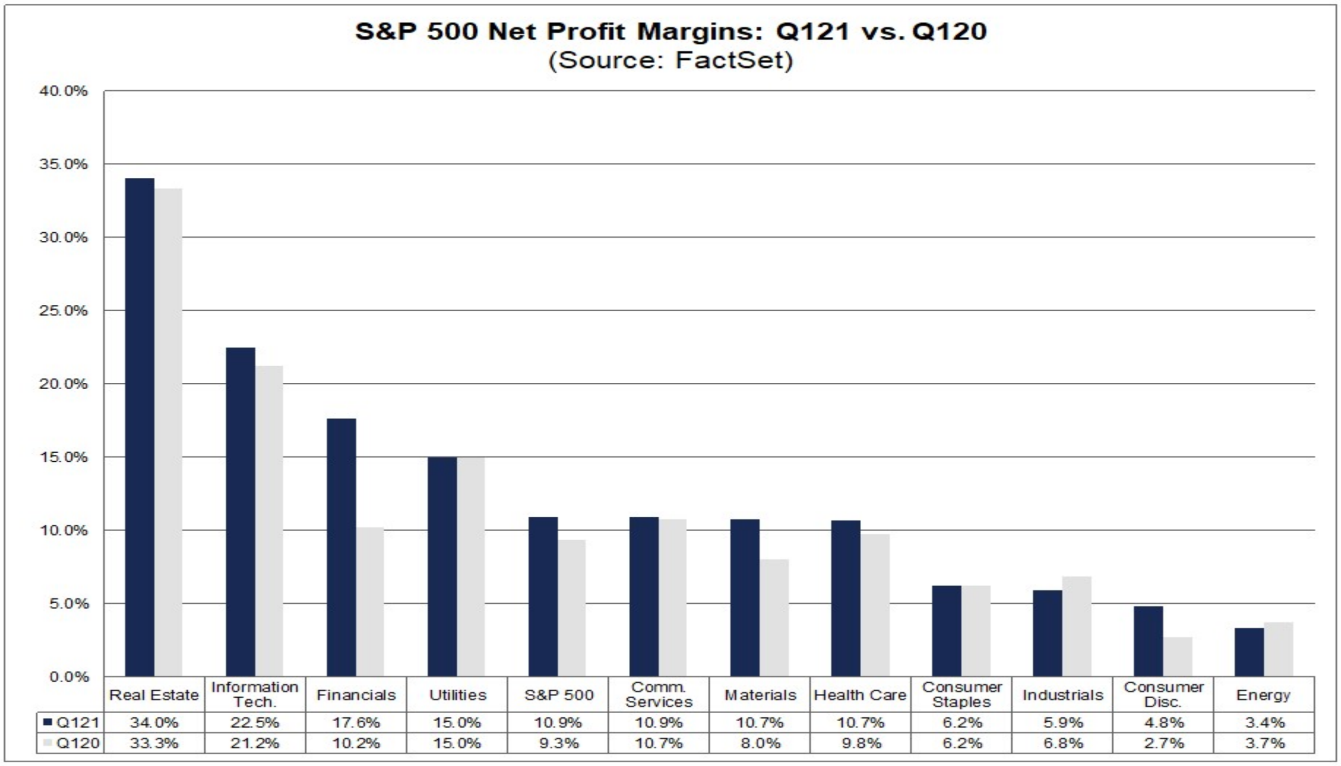
	Info. Technology	Consumer Disc.	Comm. Services	Materials	Health Care	S&P 500	Financials	Utilities	Consumer Staples	Real Estate	Industrials	Energy
Today	15.5%	15.0%	12.0%	9.6%	9.3%	6.4%	3.9%	2.6%	0.4%	-0.5%	-3.3%	-6.3%
31-Mar	15.5%	15.0%	12.0%	9.7%	9.3%	6.3%	3.0%	2.6%	0.2%	-0.7%	-3.3%	-6.5%

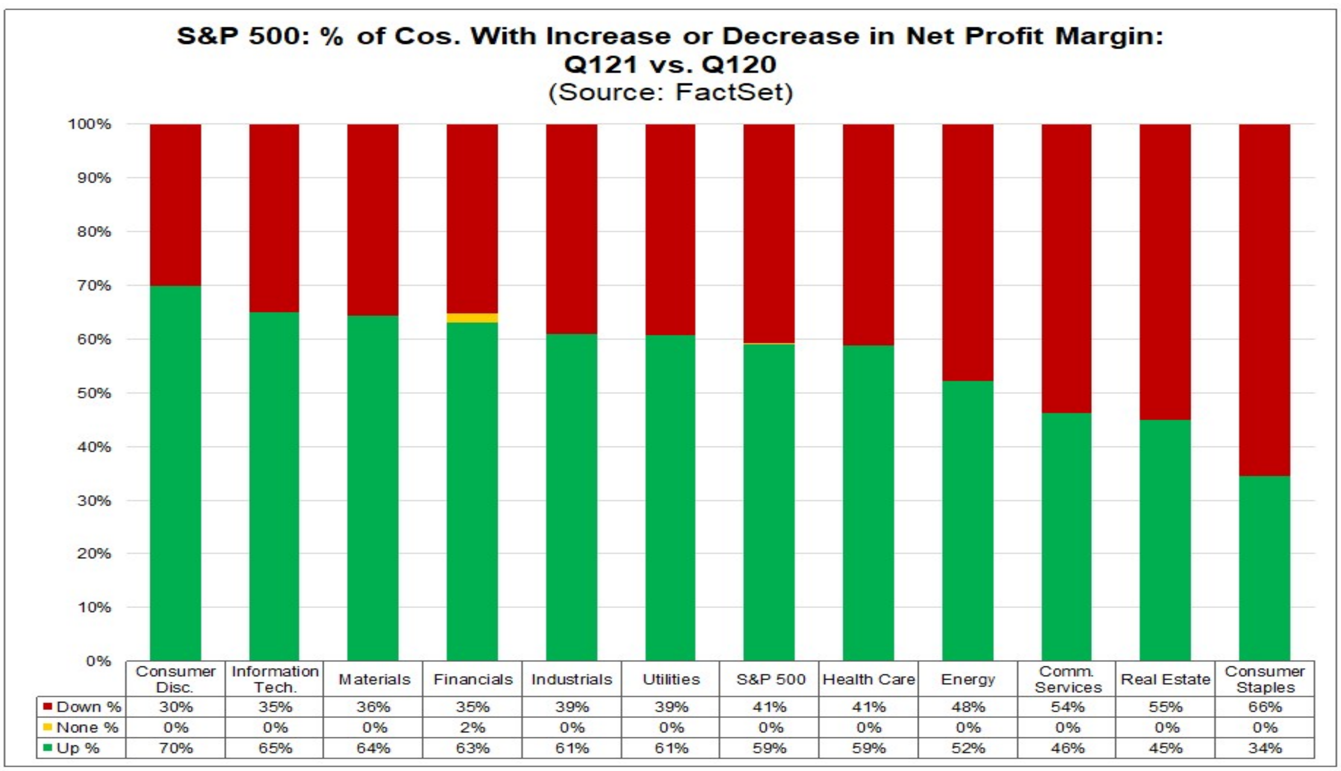
Q1 2021: Growth



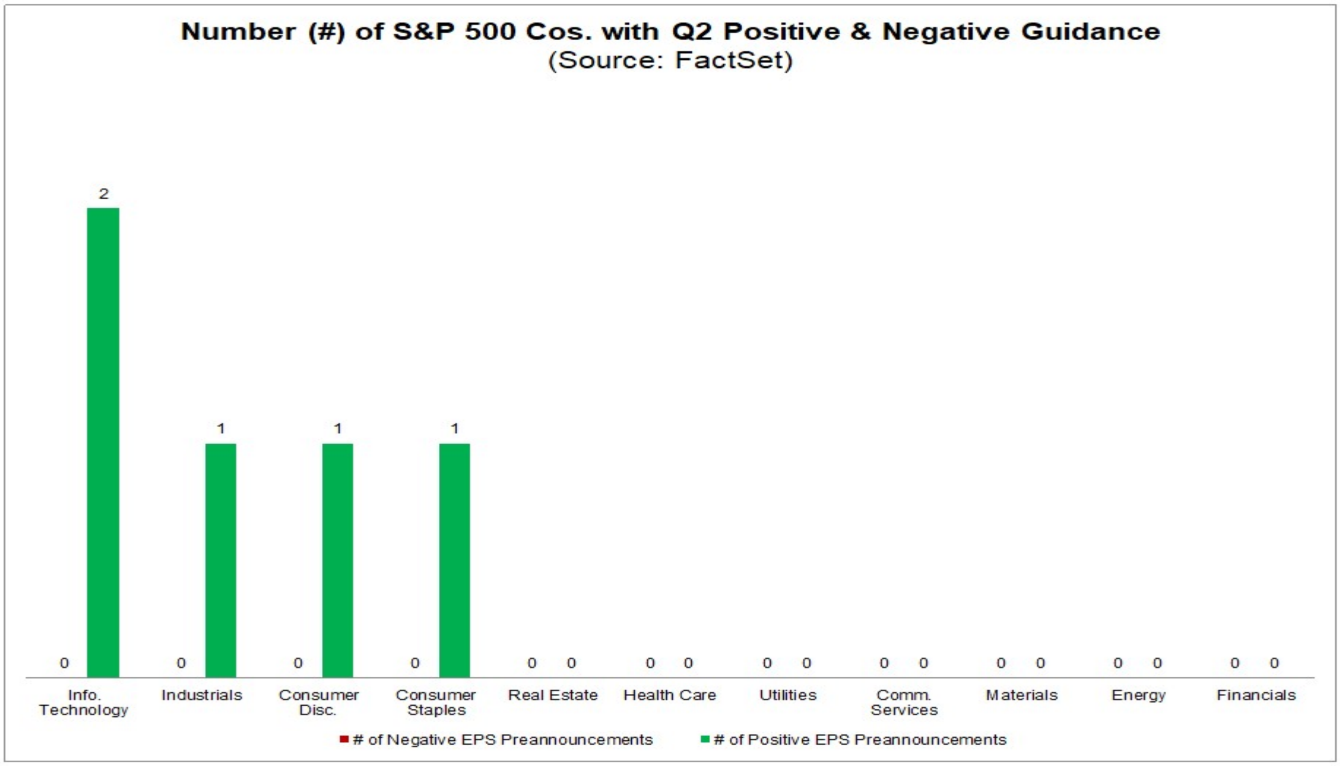


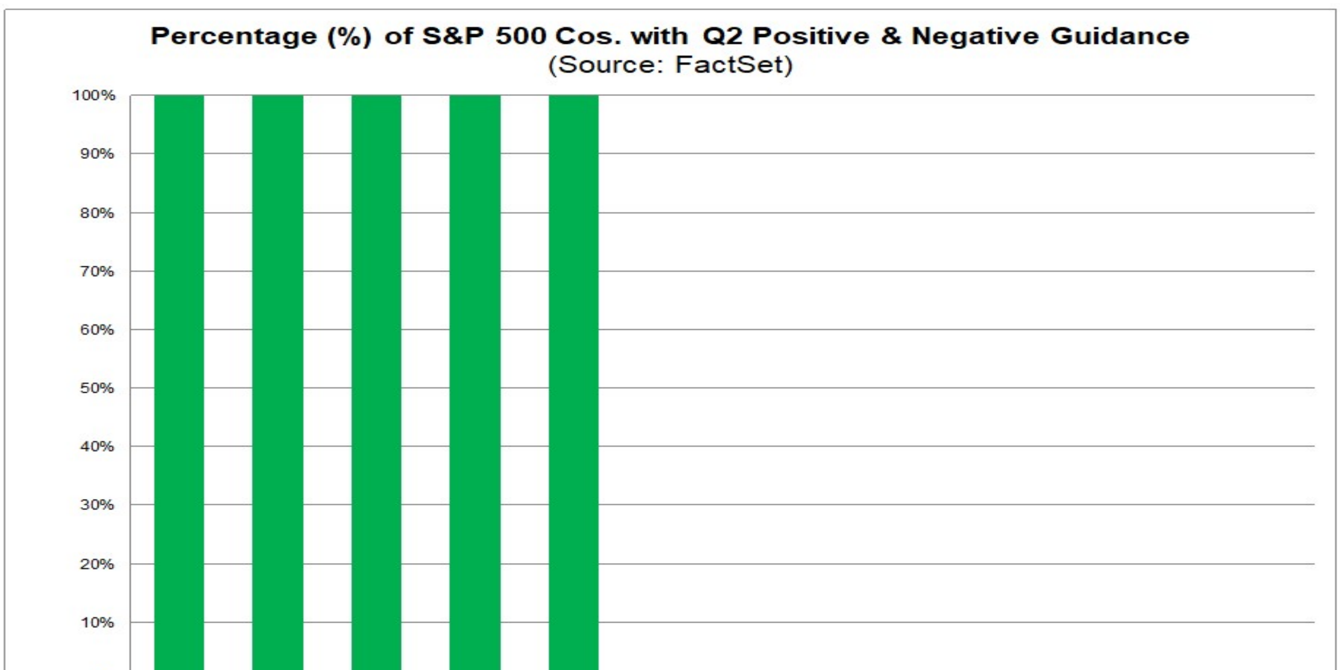
Q1 2021: Net Profit Margin





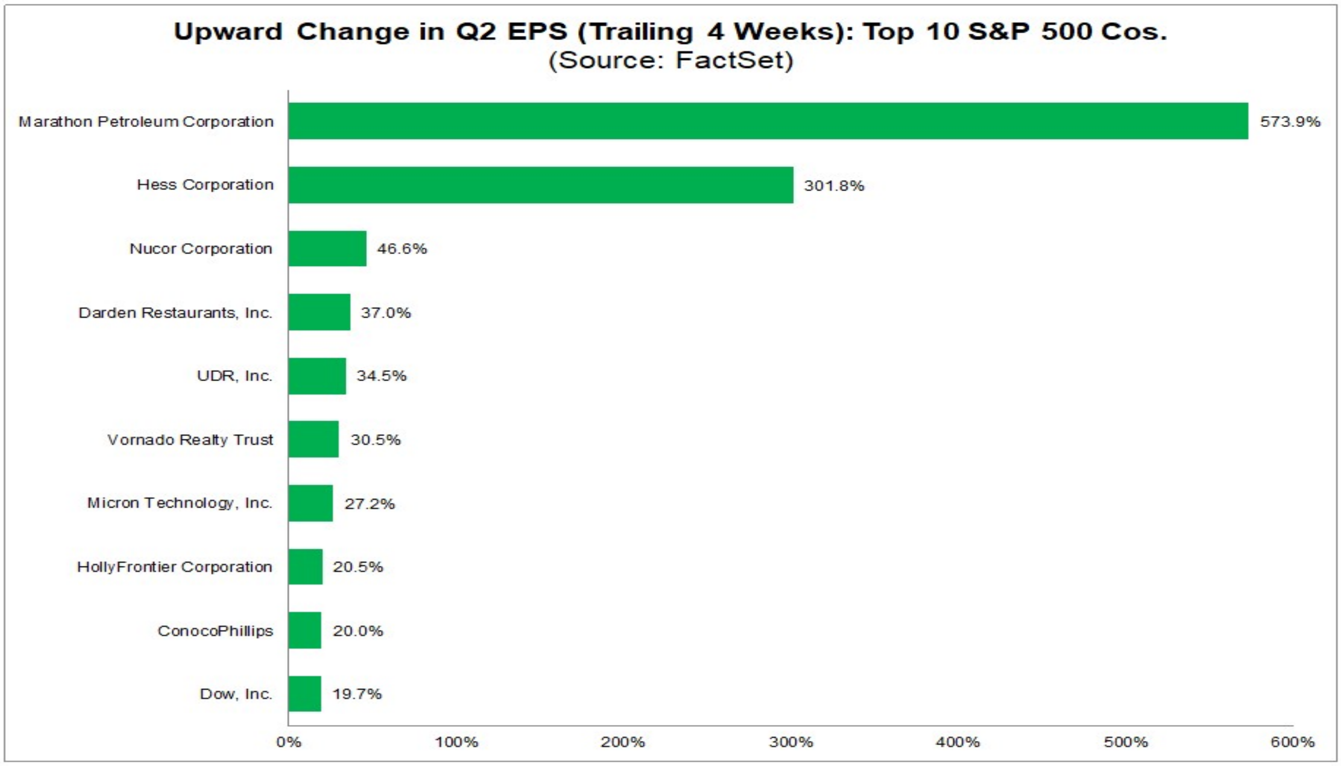
Q2 2021: EPS Guidance

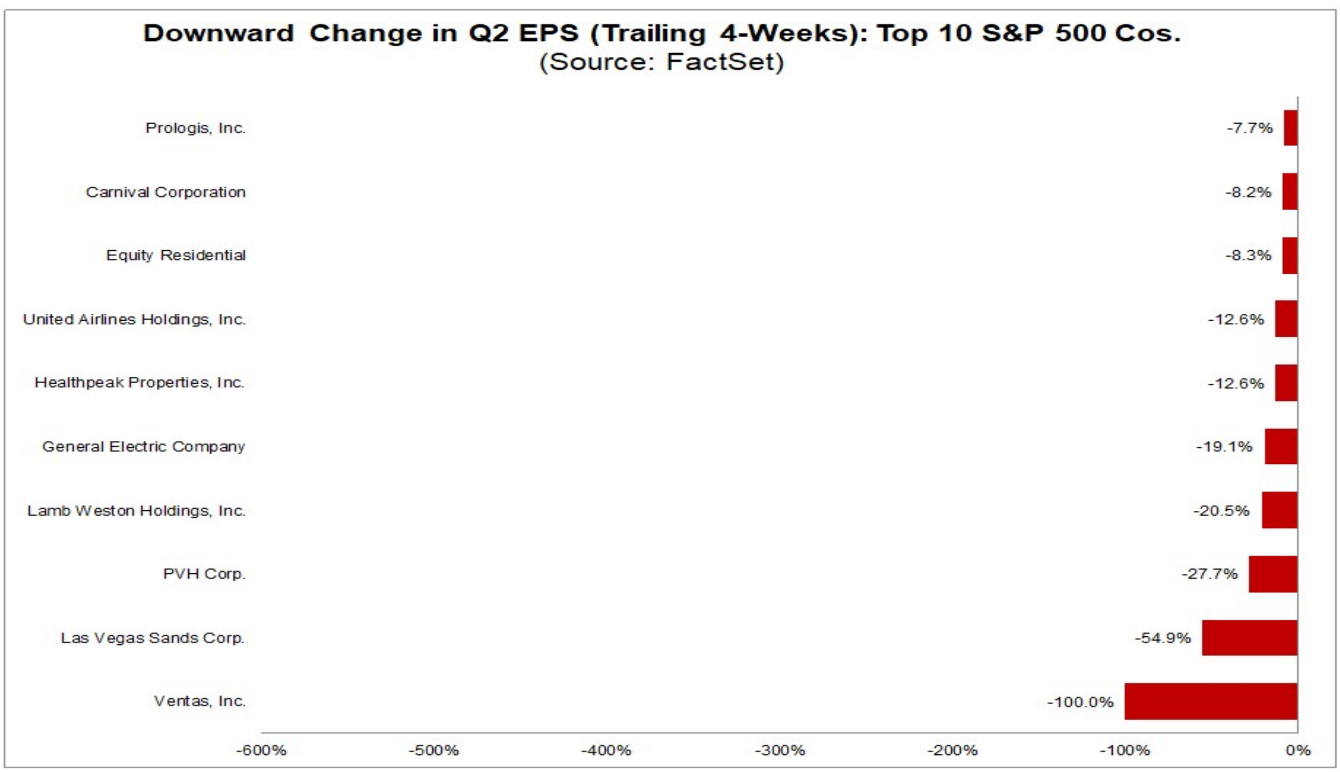




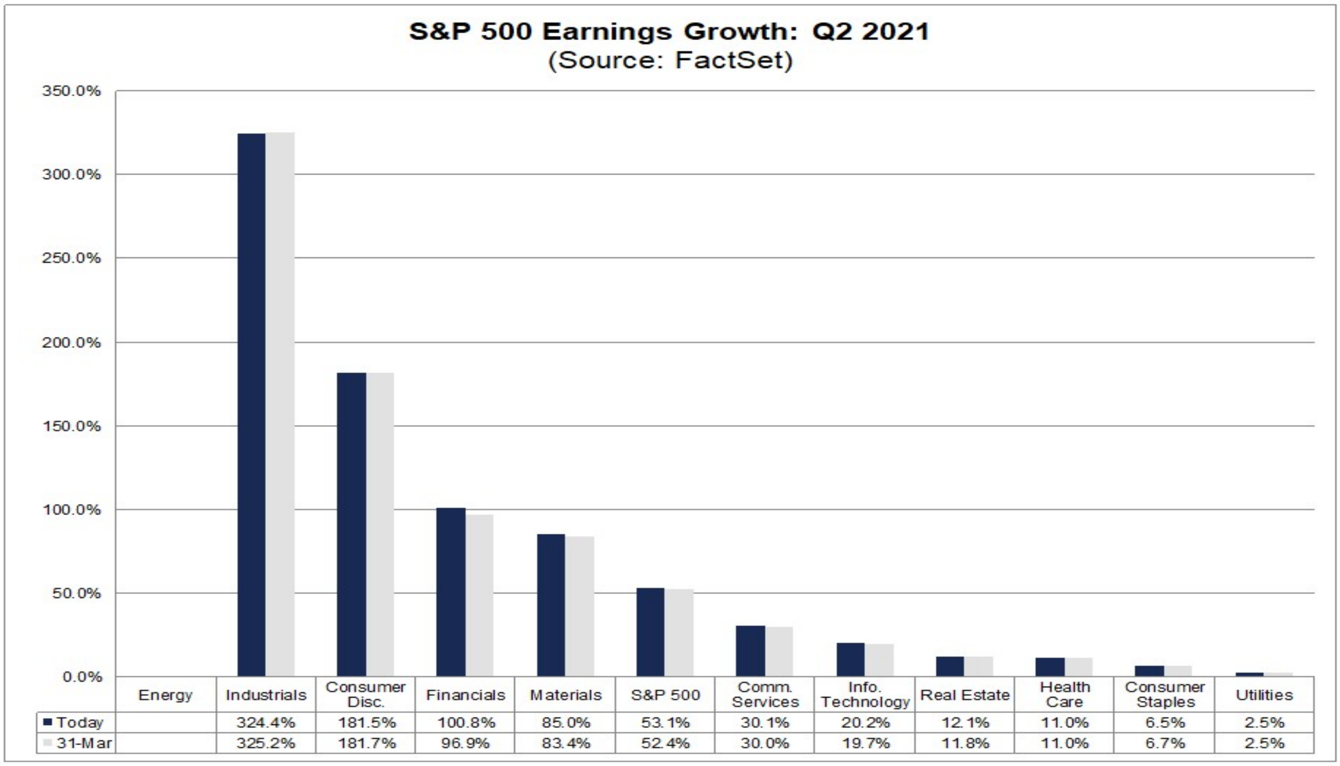
	S&P 500	Info. Technology	Consumer Disc.	Industrials	Consumer Staples	Materials	Comm. Services	Health Care	Utilities	Real Estate	Energy	Financials
Positive	100%	100%	100%	100%	100%	0%	0%	0%	0%	0%	0%	0%
Negative	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Q2 2021: EPS Revisions

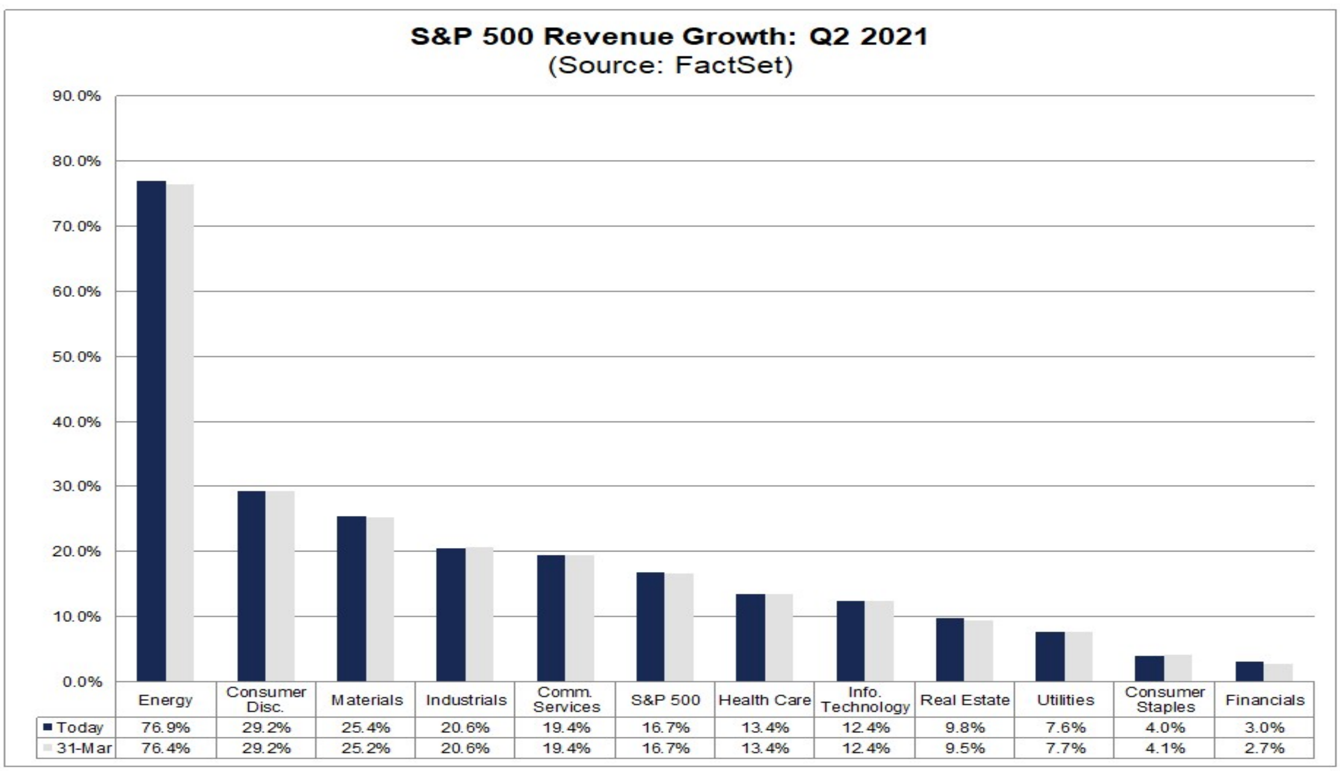




Q2 2021: Growth

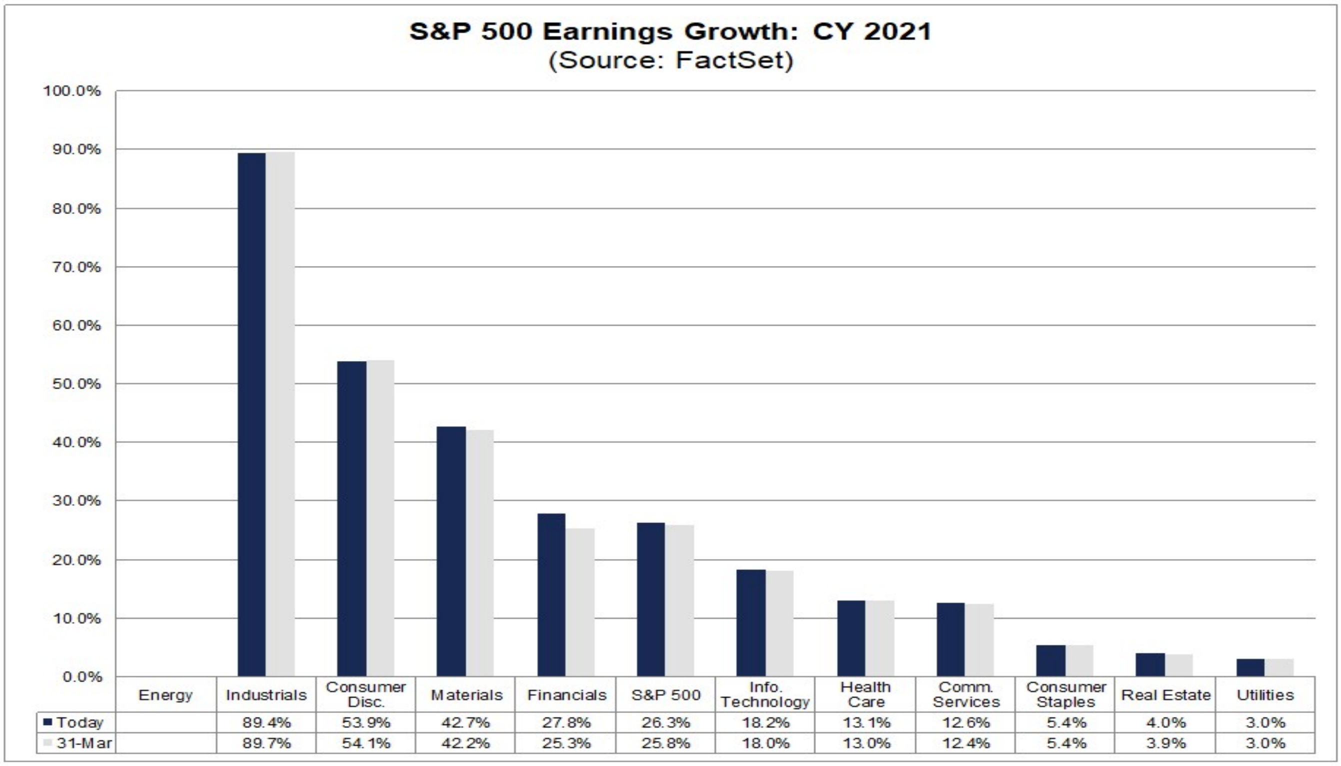


	Energy	Industrials	Consumer Disc.	Financials	Materials	S&P 500	Comm. Services	Info. Technology	Real Estate	Health Care	Consumer Staples	Utilities
Today		324.4%	181.5%	100.8%	85.0%	53.1%	30.1%	20.2%	12.1%	11.0%	6.5%	2.5%
31-Mar		325.2%	181.7%	96.9%	83.4%	52.4%	30.0%	19.7%	11.8%	11.0%	6.7%	2.5%

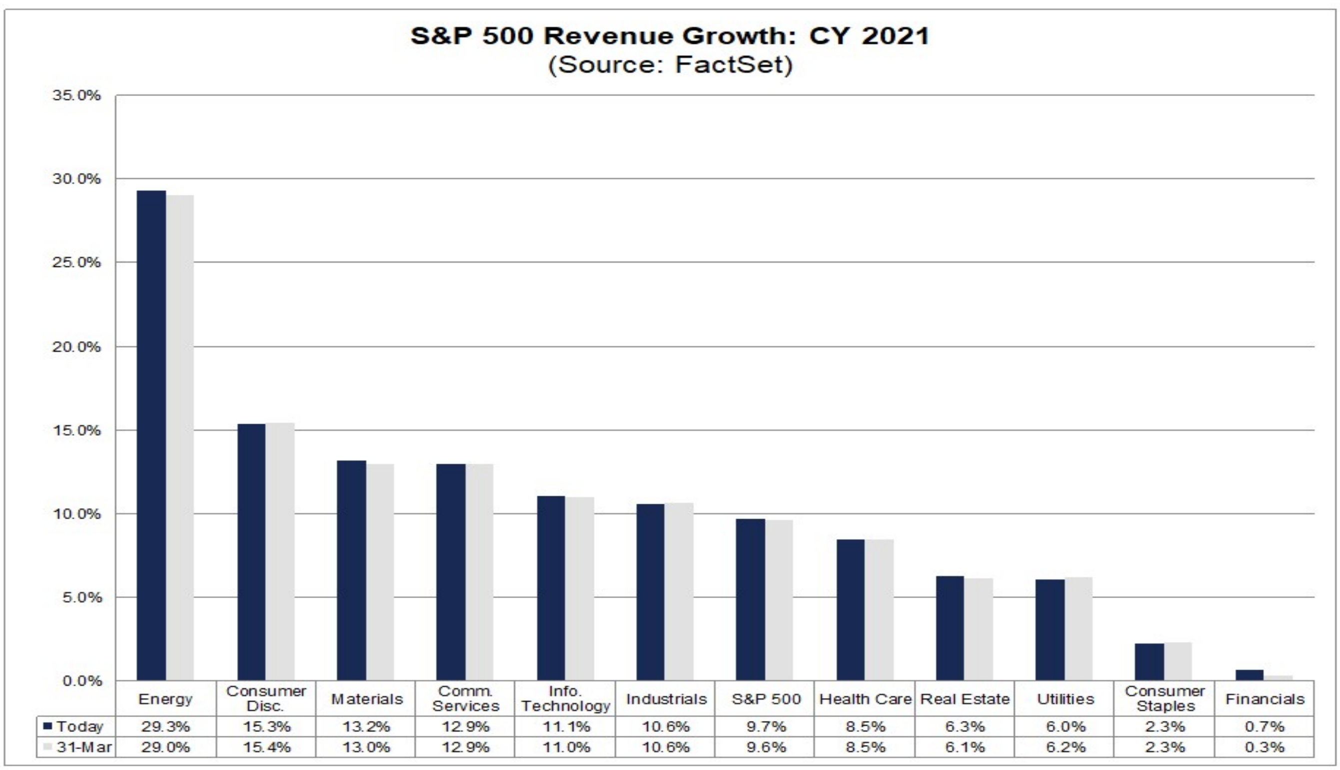


	Energy	Consumer Disc.	Materials	Industrials	Comm. Services	S&P 500	Health Care	Info. Technology	Real Estate	Utilities	Consumer Staples	Financials
Today	76.9%	29.2%	25.4%	20.6%	19.4%	16.7%	13.4%	12.4%	9.8%	7.6%	4.0%	3.0%
31-Mar	76.4%	29.2%	25.2%	20.6%	19.4%	16.7%	13.4%	12.4%	9.5%	7.7%	4.1%	2.7%

CY 2021: Growth

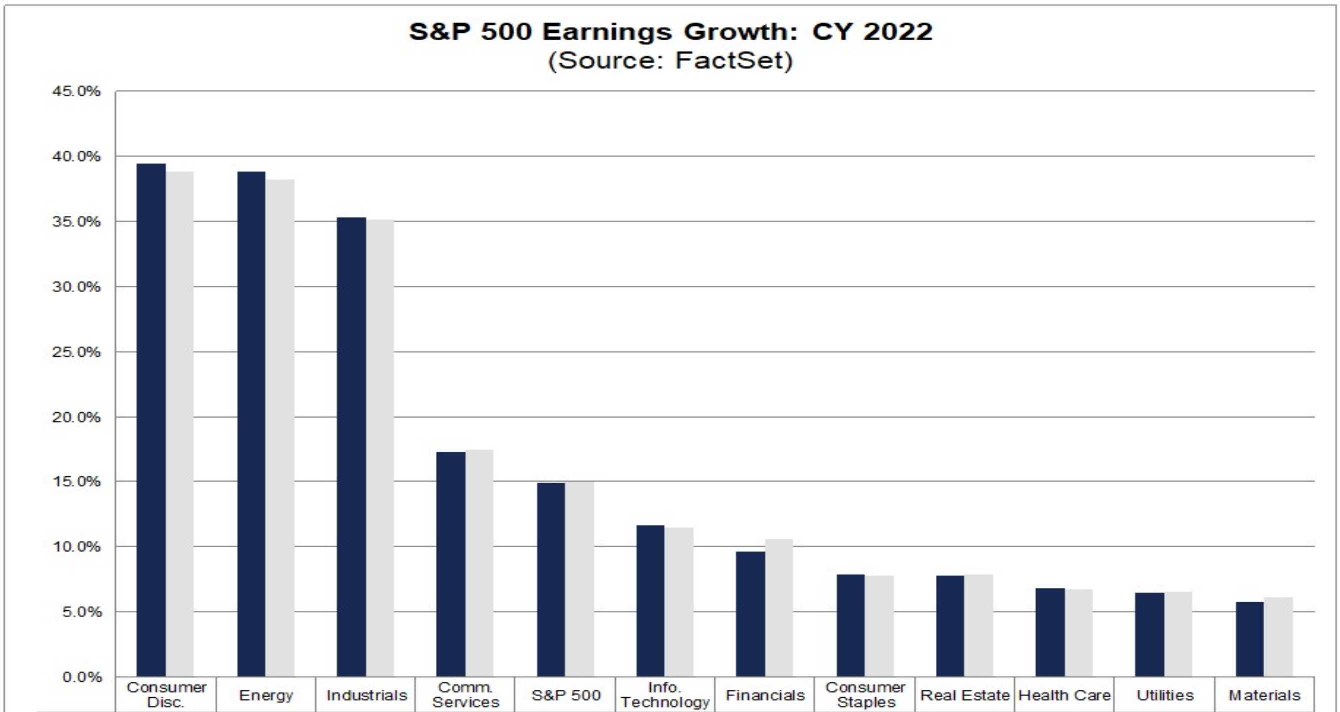


	Energy	Industrials	Consumer Disc.	Materials	Financials	S&P 500	Info. Technology	Health Care	Comm. Services	Consumer Staples	Real Estate	Utilities
Today		89.4%	53.9%	42.7%	27.8%	26.3%	18.2%	13.1%	12.6%	5.4%	4.0%	3.0%
31-Mar		89.7%	54.1%	42.2%	25.3%	25.8%	18.0%	13.0%	12.4%	5.4%	3.9%	3.0%

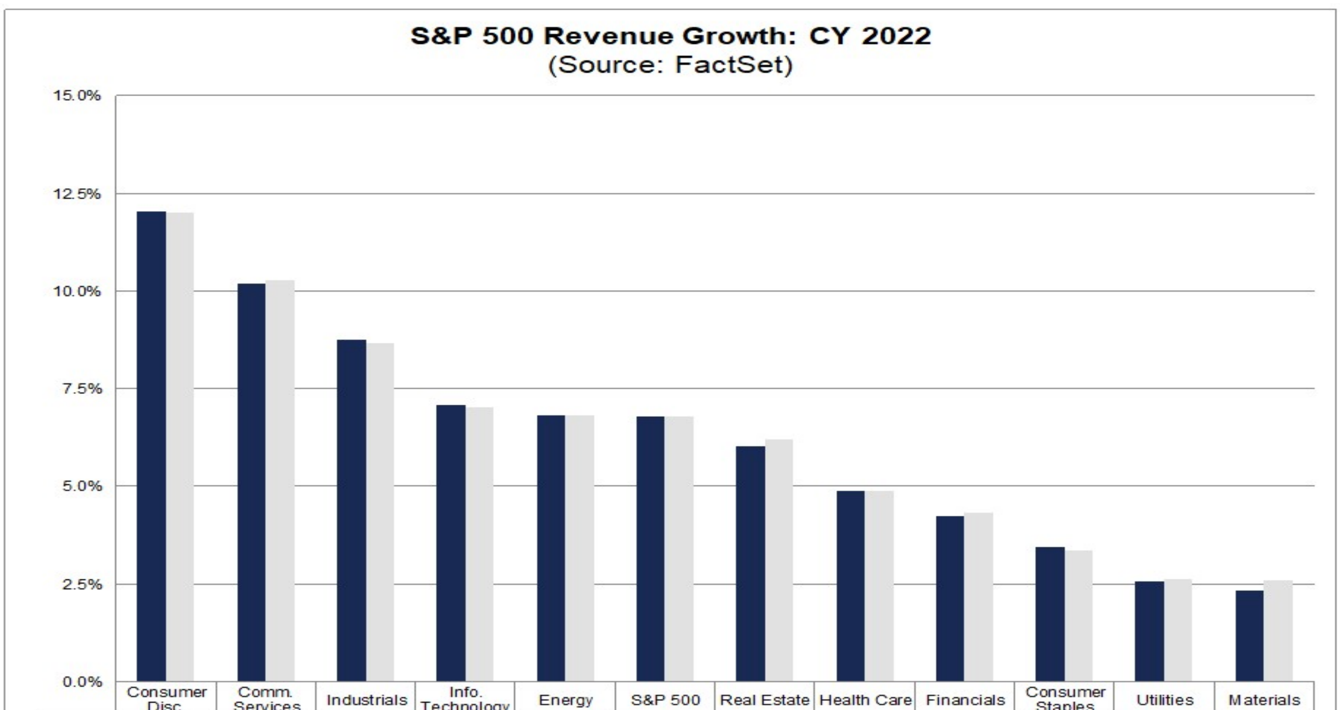


	Energy	Consumer Disc.	Materials	Comm. Services	Info. Technology	Industrials	S&P 500	Health Care	Real Estate	Utilities	Consumer Staples	Financials
Today	29.3%	15.3%	13.2%	12.9%	11.1%	10.6%	9.7%	8.5%	6.3%	6.0%	2.3%	0.7%
31-Mar	29.0%	15.4%	13.0%	12.9%	11.0%	10.6%	9.6%	8.5%	6.1%	6.2%	2.3%	0.3%

CY 2022: Growth

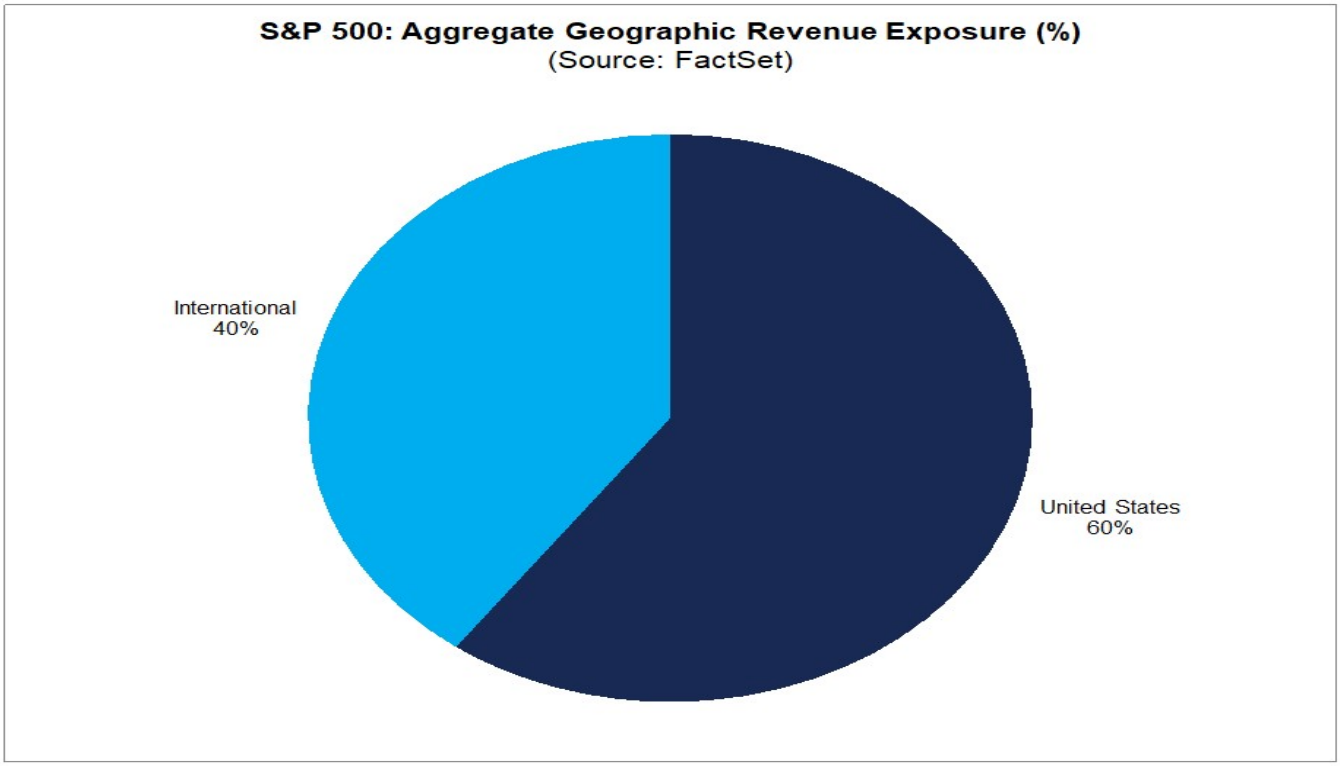


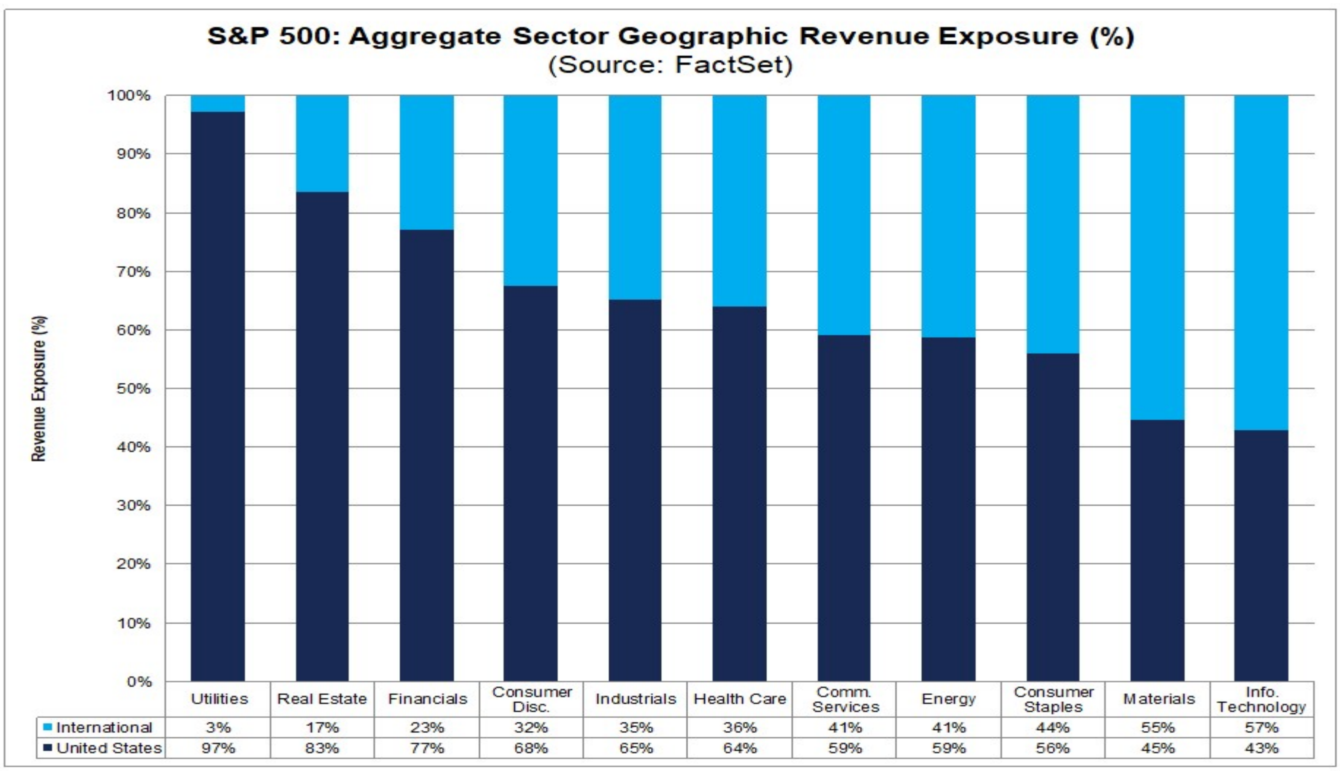
	Consumer Disc.	Energy	Industrials	Comm. Services	S&P 500	Info. Technology	Financials	Consumer Staples	Real Estate	Health Care	Utilities	Materials
Today	39.4%	38.8%	35.3%	17.3%	14.9%	11.6%	9.6%	7.8%	7.8%	6.8%	6.5%	5.7%
31-Mar	38.8%	38.2%	35.1%	17.5%	14.9%	11.5%	10.6%	7.8%	7.9%	6.7%	6.5%	6.1%



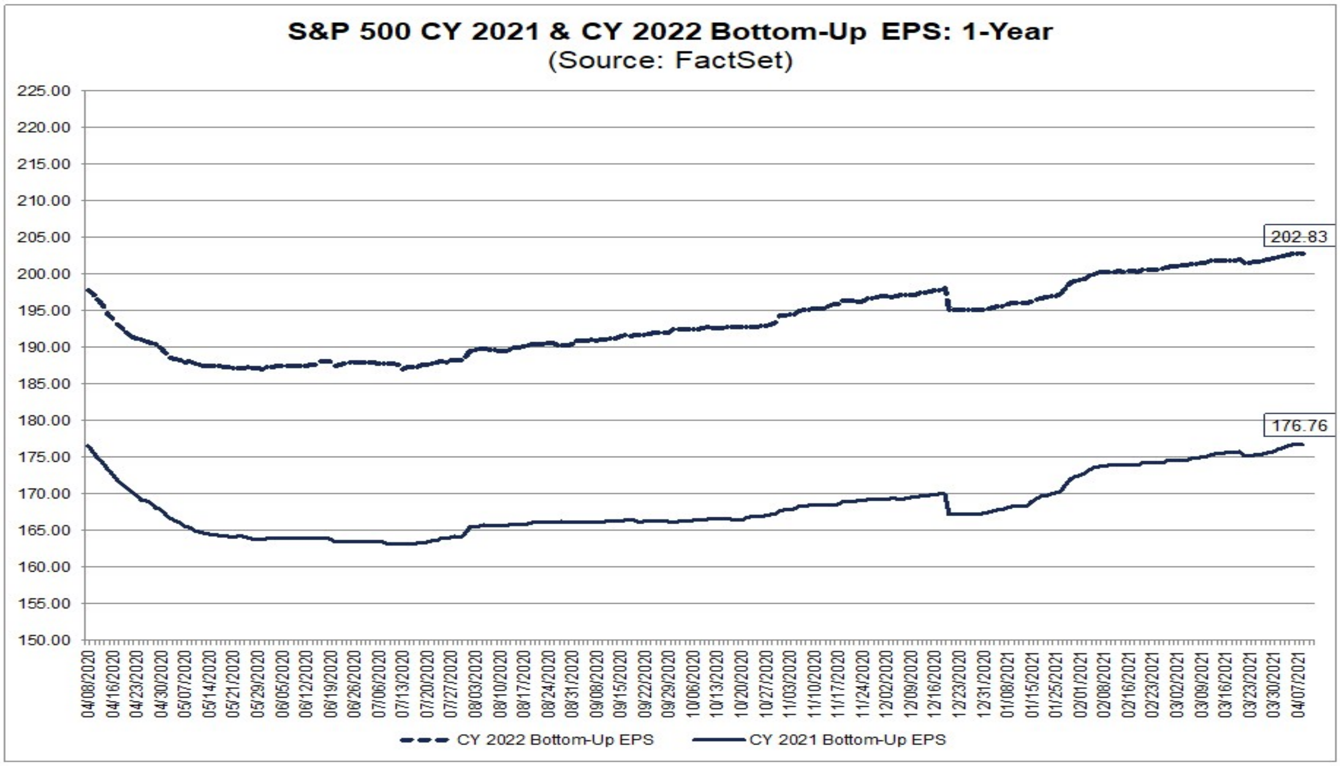
	Consumer Disc.	Comm. Services	Industrials	Info. Technology	Energy	S&P 500	Real Estate	Health Care	Financials	Consumer Staples	Utilities	Materials
Today	12.0%	10.2%	8.8%	7.1%	6.8%	6.8%	6.0%	4.9%	4.2%	3.4%	2.6%	2.3%
31-Mar	12.0%	10.3%	8.7%	7.0%	6.8%	6.8%	6.2%	4.9%	4.3%	3.4%	2.6%	2.6%

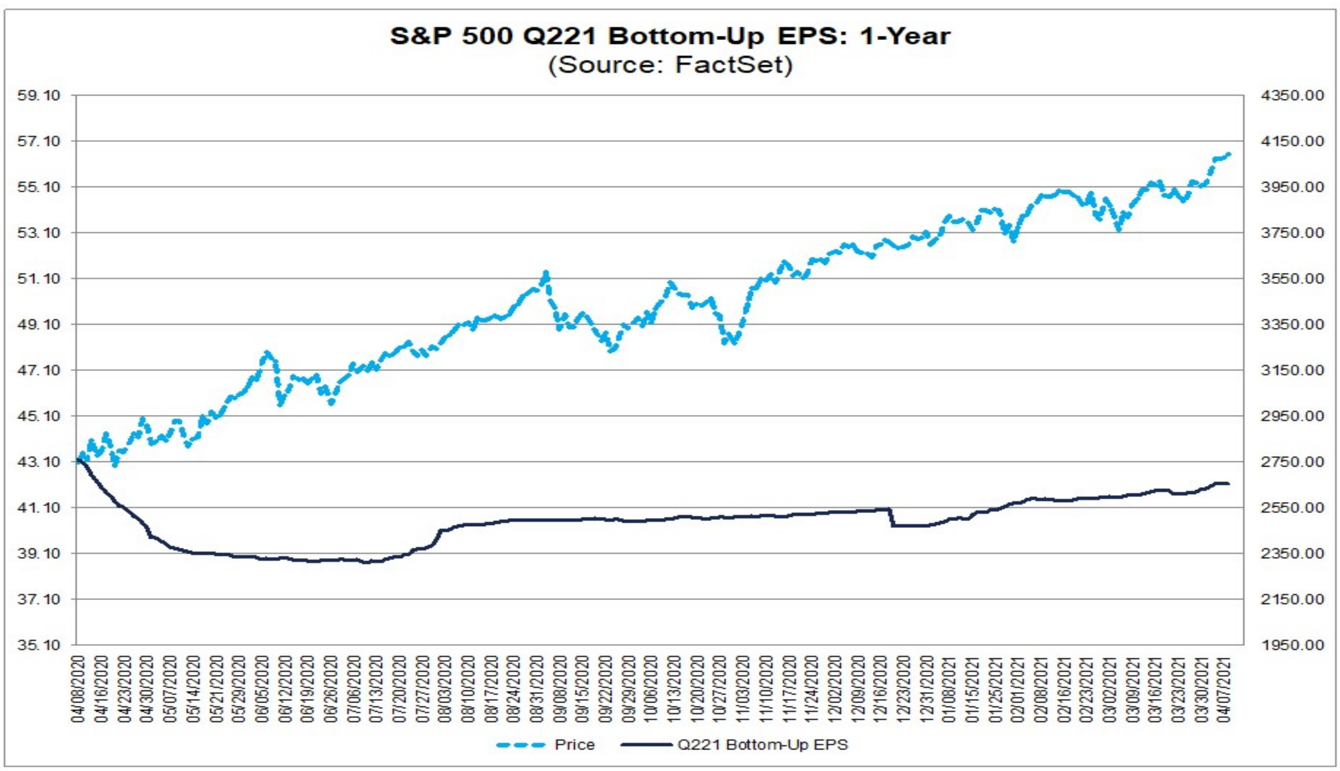
Geographic Revenue Exposure



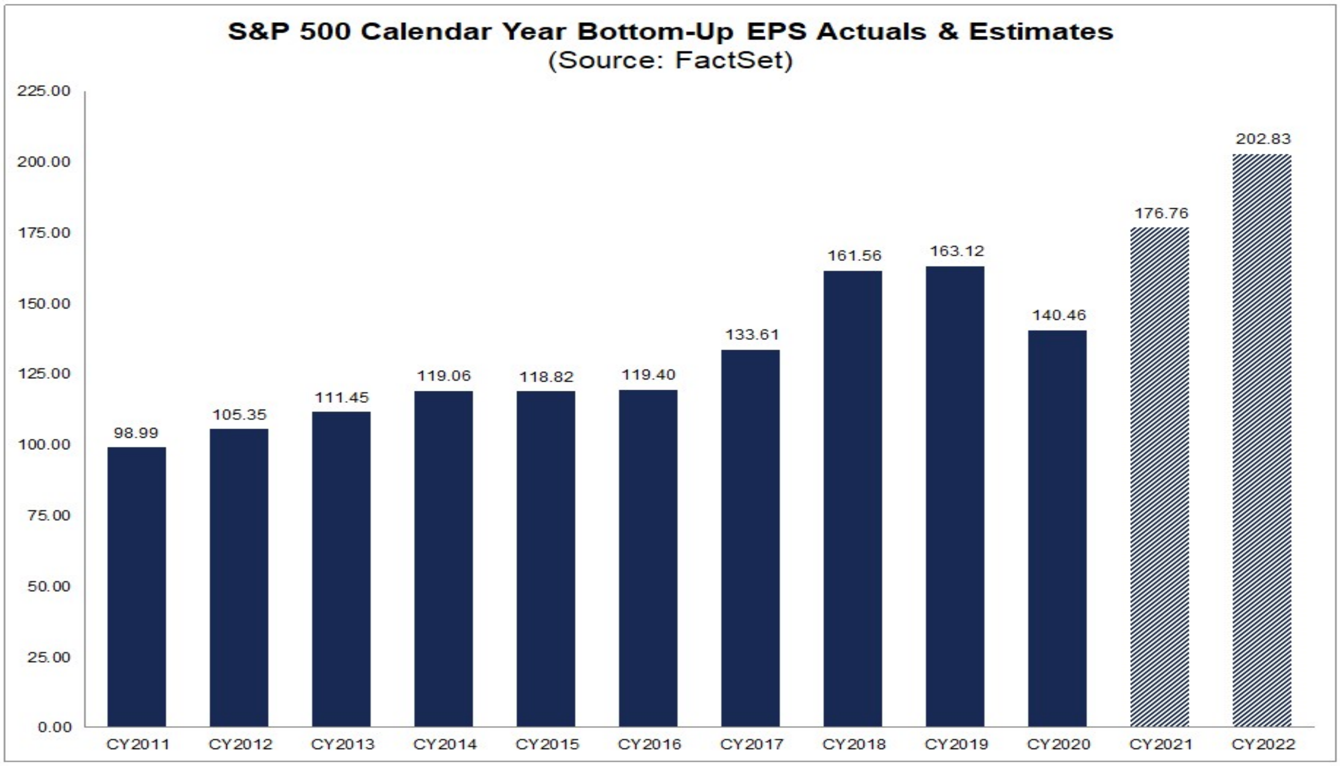


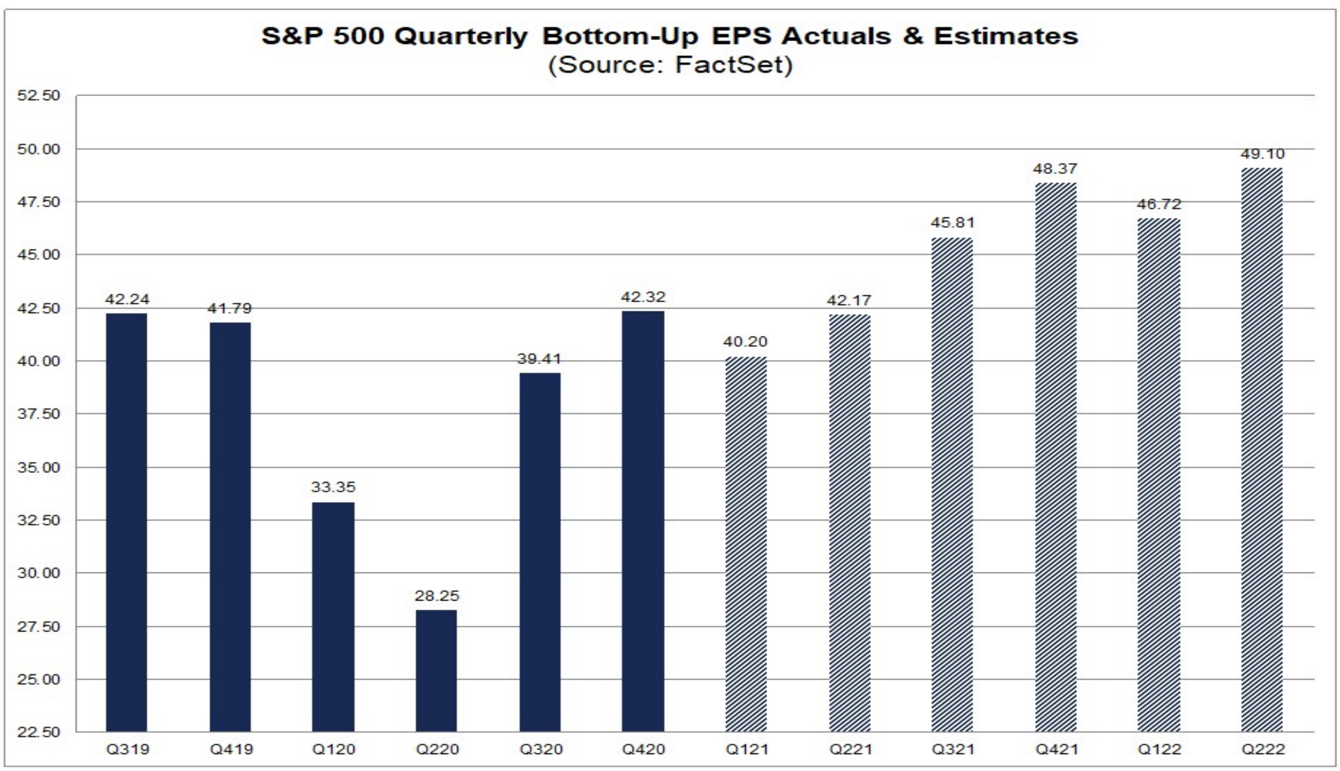
Bottom-up EPS Estimates: Revisions



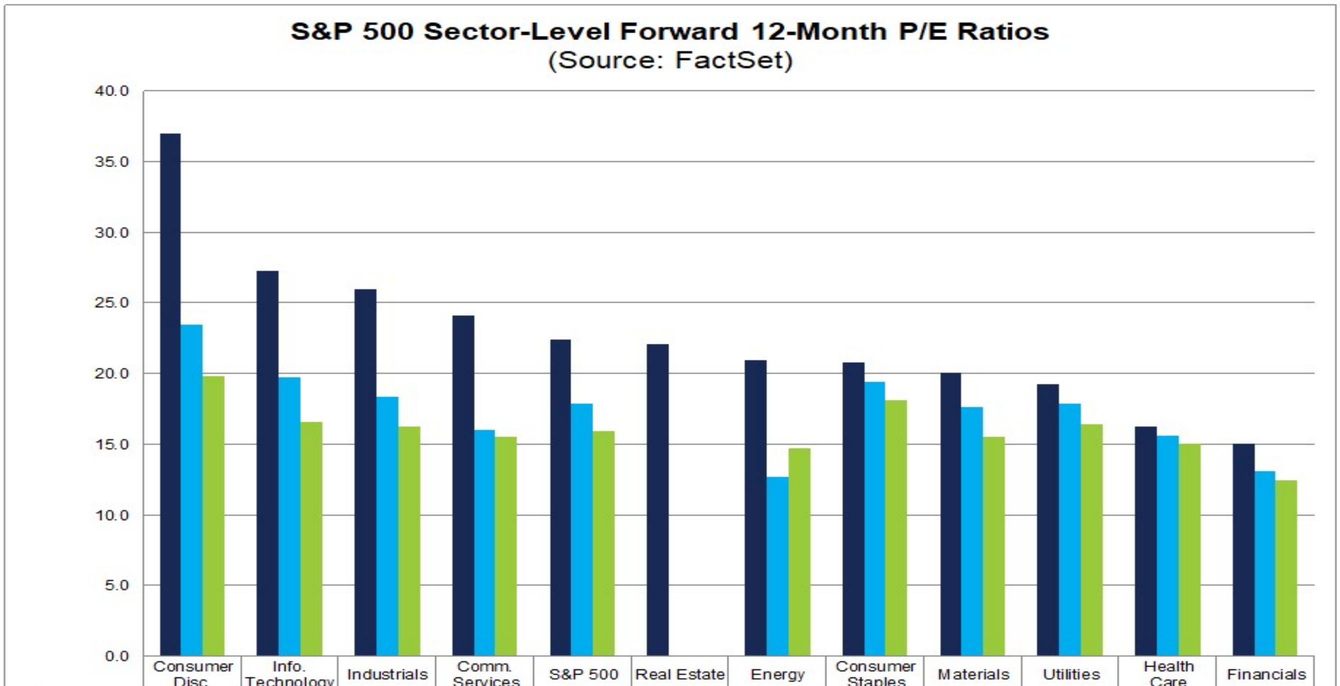


Bottom-up EPS Estimates: Current & Historical

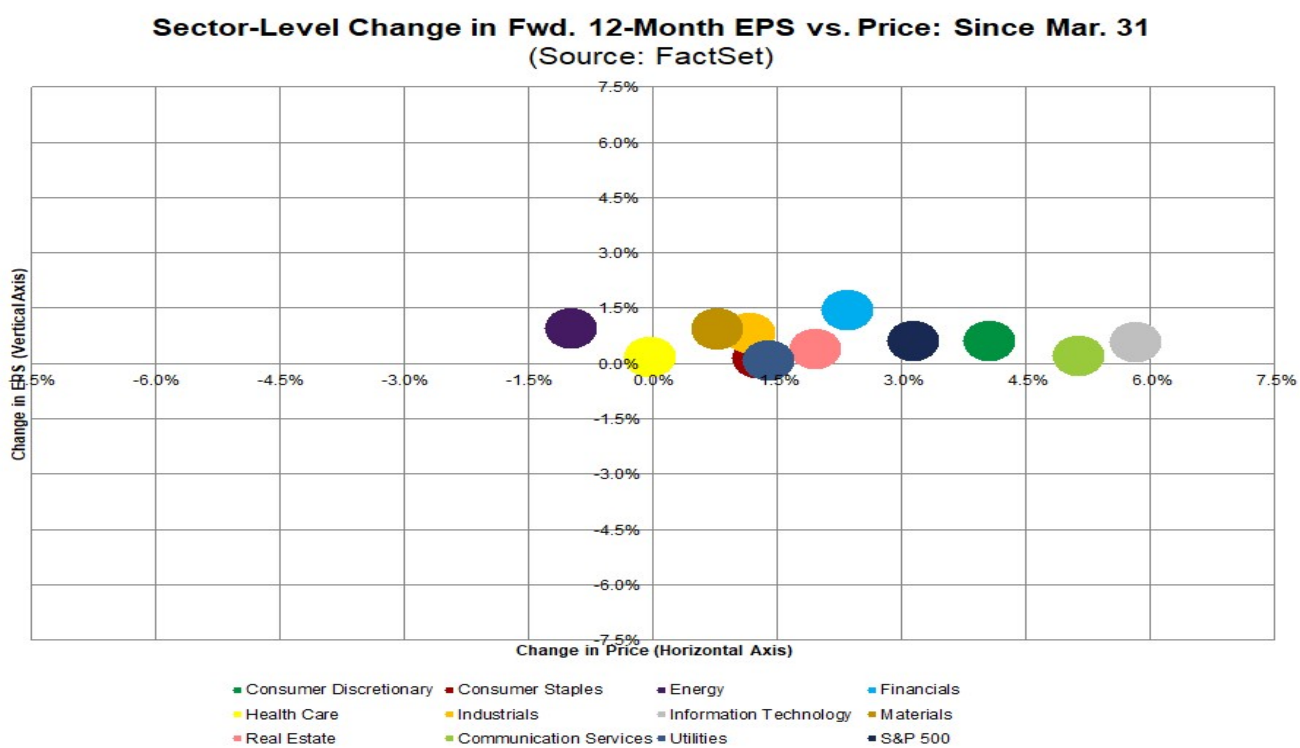




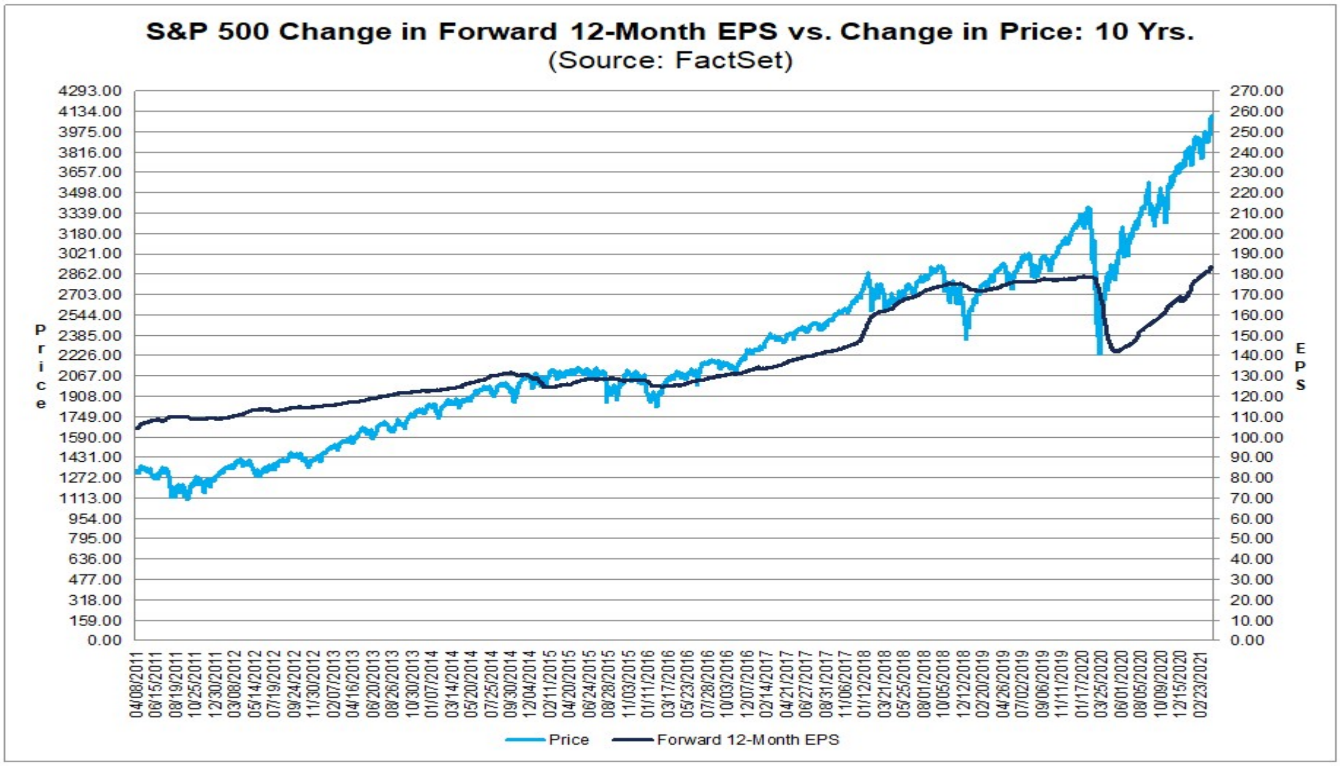
Forward 12M P/E Ratio: Sector Level

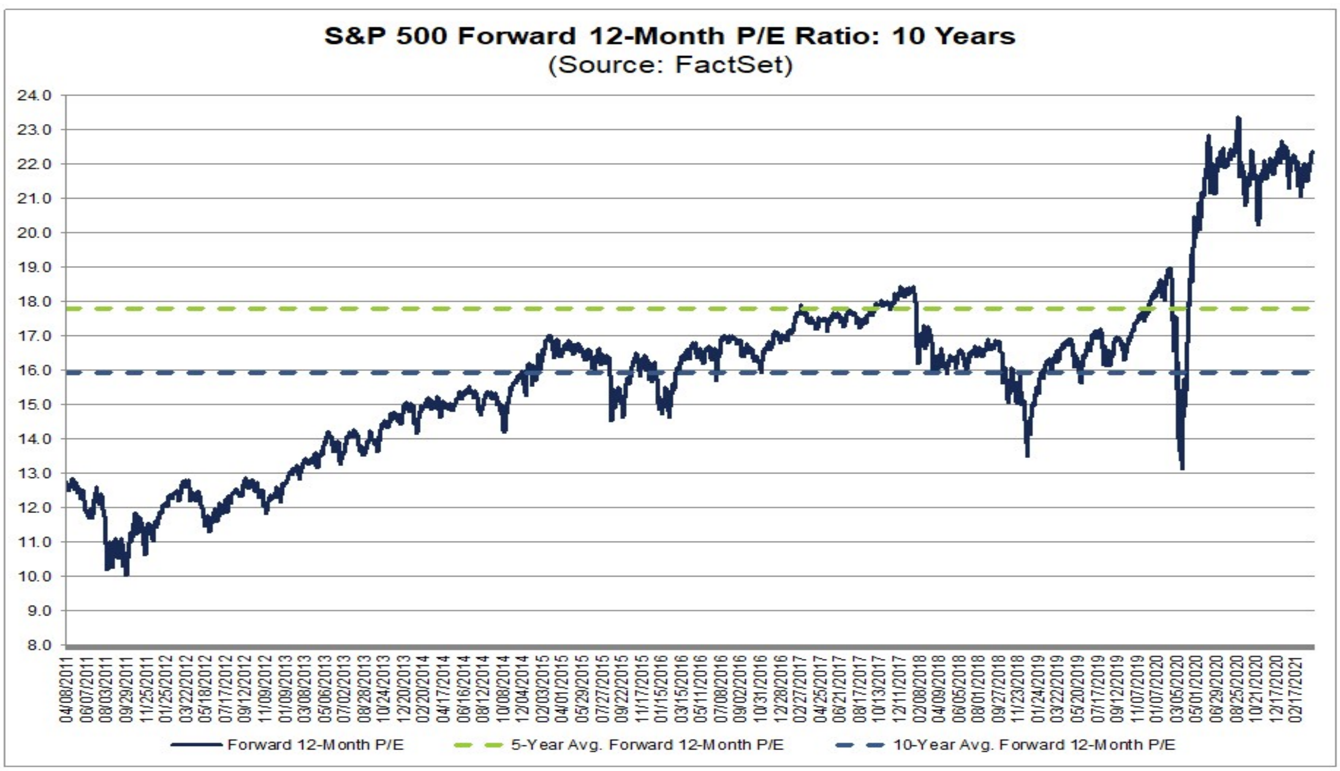


	Consumer Disc.	Info. Technology	Industrials	Comm. Services	S&P 500	Real Estate	Energy	Consumer Staples	Materials	Utilities	Health Care	Financials
Fwd P/E	37.0	27.3	25.9	24.1	22.4	22.1	21.0	20.8	20.0	19.3	16.2	15.0
5-Yr Avg.	23.4	19.7	18.3	16.0	17.8		12.7	19.4	17.6	17.9	15.6	13.1
10-Yr Avg.	19.8	16.6	16.3	15.5	15.9		14.7	18.1	15.5	16.4	15.0	12.5

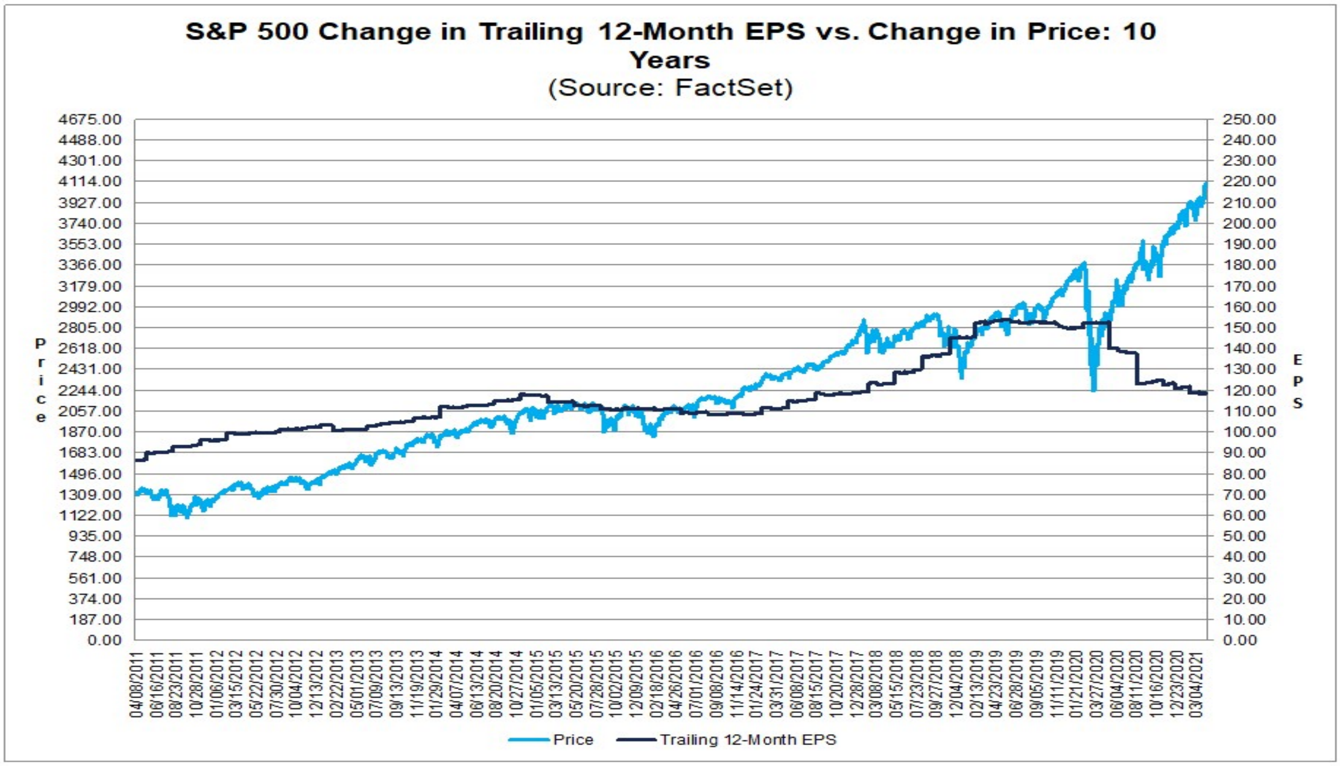


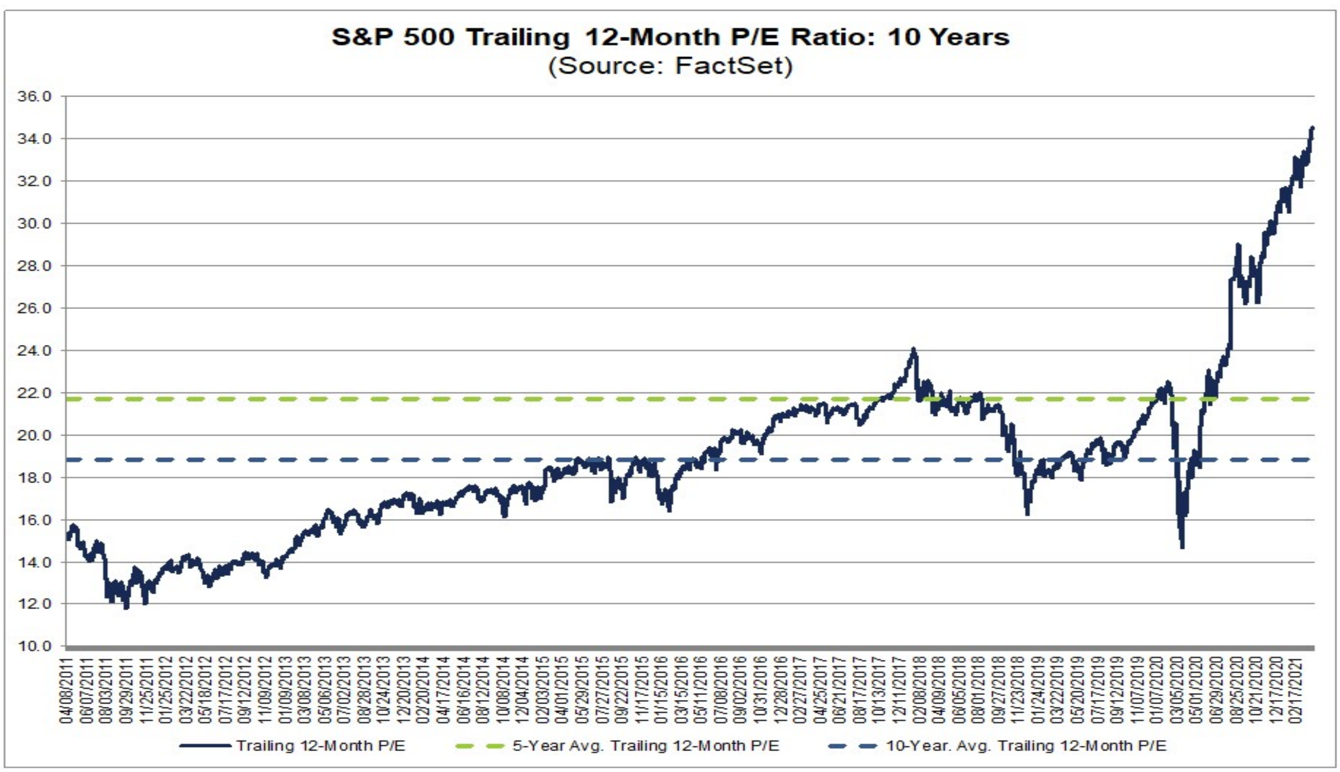
Forward 12M P/E Ratio: 10-Years



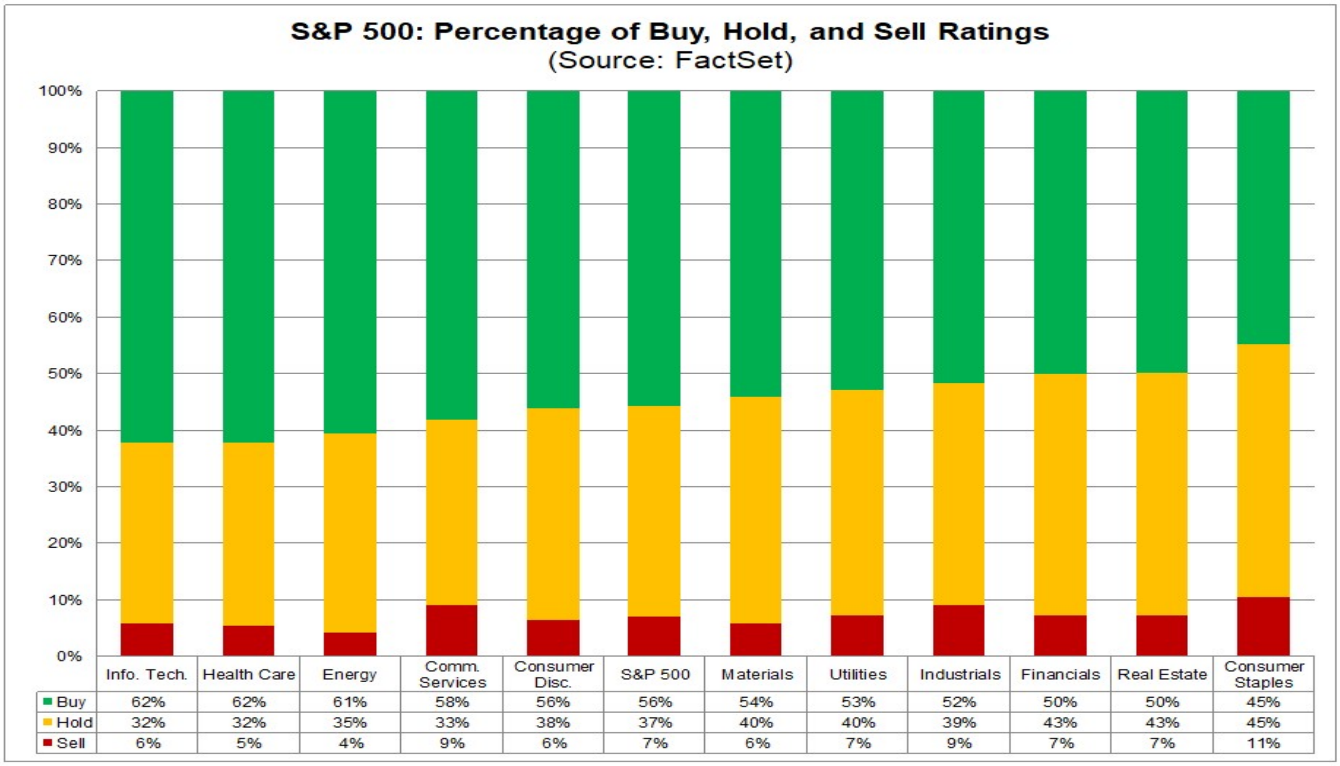


Trailing 12M P/E Ratio: 10-Years



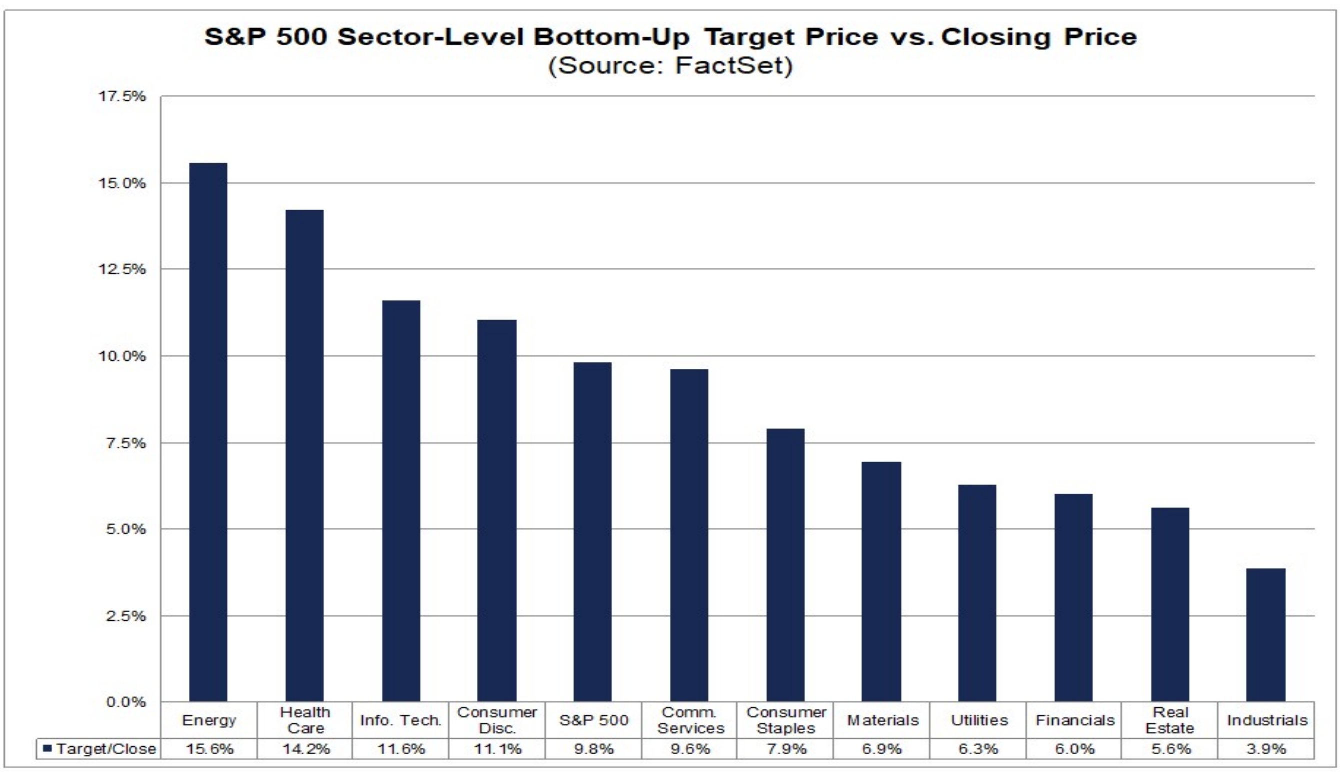


Targets & Ratings



S&P 500: Percentage of Buy, Hold, and Sell Ratings
(Source: FactSet)

	Info. Tech.	Health Care	Energy	Comm. Services	Consumer Disc.	S&P 500	Materials	Utilities	Industrials	Financials	Real Estate	Consumer Staples
Buy	62%	62%	61%	58%	56%	56%	54%	53%	52%	50%	50%	45%
Hold	32%	32%	35%	33%	38%	37%	40%	40%	39%	43%	43%	45%
Sell	6%	5%	4%	9%	6%	7%	6%	7%	9%	7%	7%	11%



S&P 500 Sector-Level Bottom-Up Target Price vs. Closing Price
(Source: FactSet)

	Energy	Health Care	Info. Tech.	Consumer Disc.	S&P 500	Comm. Services	Consumer Staples	Materials	Utilities	Financials	Real Estate	Industrials
Target/Close	15.6%	14.2%	11.6%	11.1%	9.8%	9.6%	7.9%	6.9%	6.3%	6.0%	5.6%	3.9%

Important Notice

The information contained in this report is provided “as is” and all representations, warranties, terms and conditions, oral or written, express or implied (by common law, statute or otherwise), in relation to the information are hereby excluded and disclaimed to the fullest extent permitted by law. In particular, FactSet, its affiliates and its suppliers disclaim implied warranties of merchantability and fitness for a particular purpose and make no warranty of accuracy, completeness or reliability of the information. This report is for informational purposes and does not constitute a solicitation or an offer to buy or sell any securities mentioned within it. The information in this report is not investment advice. FactSet, its affiliates and its suppliers assume no liability for any consequence relating directly or indirectly to any action or inaction taken based on the information contained in this report.

FactSet aggregates and redistributes estimates data and does not conduct any independent research. Nothing in our service constitutes investment advice or FactSet recommendations of any kind. Estimates data is provided for information purposes only.

FactSet has no relationship with creators of estimates that may reasonably be expected to impair its objective presentation of such estimate or recommendation. FactSet redistributes estimates as promptly as reasonably practicable from research providers.

About FactSet

FactSet (NYSE:FDS | NASDAQ:FDS) delivers superior content, analytics, and flexible technology to help more than 138,000 users see and seize opportunity sooner. We give investment professionals the edge to outperform with informed insights, workflow solutions across the portfolio lifecycle, and industry-leading support from dedicated specialists. We're proud to have been recognized with multiple awards for our analytical and data-driven solutions and repeatedly scored 100 by the Human Rights Campaign® Corporate Equality Index for our LGBTQ+ inclusive policies and practices. Subscribe to our thought leadership blog to get fresh insight delivered daily at insight.factset.com. Learn more at www.factset.com and follow us on Twitter: www.twitter.com/factset.